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

Global Offering

Sole Sponsor

國泰君安國際
GUOTAI JUNAN INTERNATIONAL

Sole Global Coordinator

國泰君安國際
GUOTAI JUNAN INTERNATIONAL

Joint Bookrunners and Joint Lead Managers

國泰君安國際 GUOTAI JUNAN INTERNATIONAL

絲路國際 SILK ROAD INTERNATIONAL

交銀國際 BOCOM International

廣發証券(香港)經紀有限公司 GF SECURITIES (HONG KONG) BROKERAGE LIMITED

IMPORTANT: If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.

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Global Offering

Total number of Offer Shares under the Global Offering	:	**333,334,000 H Shares (subject to the Over-allotment Option)**
Number of Hong Kong Public Offer Shares	:	**33,334,000 H Shares (subject to reallocation)**
Number of International Offer Shares	:	**300,000,000 H Shares (subject to reallocation and the Over-allotment Option)**
Offer Price	:	**Not more than HK$1.72 per H Share and expected to be not less than HK$1.52 per H Share, plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full at the maximum offer price on application in HK dollars and subject to refund on final pricing)**
Nominal value	:	**RMB1.00 per H Share**
Stock code	:	**1601**

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The Offer Price is expected to be fixed by agreement between the Sole Global Coordinator, on behalf of the Underwriters, and our Company on or before Tuesday, January 14, 2020 or such later time as may be agreed between the parties, but in any event, no later than Sunday, January 19, 2020. If, for any reason, the Sole Global Coordinator, on behalf of the Underwriters, and our Company are unable to reach an agreement on the Offer Price by Sunday, January 19, 2020, the Global Offering will not become unconditional and will lapse immediately. The Offer Price will be not more than HK$1.72 per H Share and is expected to be not less than HK$1.52 per H Share although the Sole Global Coordinator, on behalf of the Underwriters, and our Company may agree to a lower price. The Sole Global Coordinator, on behalf of the Underwriters, may, with the consent of our Company, reduce the number of Hong Kong Public Offer Shares and/or the indicative Offer Price range below that stated in this prospectus (being HK$1.52 per H Share to HK$1.72 per H Share) at any time on or prior to the morning of the last date for lodging applications under the Hong Kong Public Offering. In such a case, notices of the reduction in the number of Hong Kong Public Offer Shares and/or the indicative Offer Price range will be published on the websites of the Stock Exchange at **www.hkexnews.hk** and our Company at **www.zgclease.com** as soon as practicable but in any event not later than the morning of the day which is the latest day for lodging applications under the Hong Kong Public Offering. For further information, see "Structure of the Global Offering" and "How to Apply for Hong Kong Public Offer Shares" in this prospectus.

We are incorporated, and substantially all of our business is located, in the PRC. Potential investors should be aware of the differences in the legal, economic and financial systems between the PRC and Hong Kong and that there are different risk factors relating to investment in PRC incorporated businesses. Potential investors should also be aware that the regulatory framework in the PRC is different from the regulatory framework in Hong Kong and should take into consideration the different market nature of the Shares. Such differences and risk factors are set out in the sections headed "Risk Factors," "Appendix III—Taxation and Foreign Exchange," "Appendix IV—Summary of Principal Legal and Regulatory Provisions" and "Appendix V—Summary of Articles of Association" in this prospectus.

Pursuant to the termination provisions contained in the Hong Kong Underwriting Agreement in respect of the Hong Kong Public Offer Shares, the Sole Global Coordinator, on behalf of the Hong Kong Underwriters, have the right in certain circumstances, in their absolute discretion, to terminate the obligation of the Hong Kong Underwriters pursuant to the Hong Kong Underwriting Agreement at any time prior to 8:00 a.m. on the Listing Date. Further details of the terms of the termination provisions are set out in the section headed "Underwriting—Hong Kong Underwriting Arrangements—Hong Kong Public Offering—Grounds for termination." It is important that you refer to that section for further details.

The Offer Shares have not been and will not be registered under the US Securities Act or any state securities laws in the United States, and may not be offered, sold, pledged or transferred within the United States or to, or for the account or benefit of US person. The Offer Shares may be offered, sold or delivered outside of the United States in offshore transactions in accordance with Regulation S under the US Securities Act.

Tuesday, December 31, 2019

Hong Kong Public Offering commences and **WHITE** and **YELLOW** Application Forms available from . . . . . . .9:00 a.m. on Tuesday, December 31, 2019

Latest time to complete electronic applications under the **White Form eIPO** service through the designated website at **www.eipo.com.hk**[2] . . . . .11:30 a.m. on Tuesday, January 14, 2020

Application lists for the Hong Kong Public Offering open[3] . . . . .11:45 a.m. on Tuesday, January 14, 2020

Latest time for lodging **WHITE** and **YELLOW** Application Forms and giving **electronic application instructions** to HKSCC[4] . . . . .12:00 noon on Tuesday, January 14, 2020

Latest time to complete payment of **White Form eIPO** applications by effecting internet banking transfer(s) or PPS payment transfer(s) . . . . .12:00 noon on Tuesday, January 14, 2020

Application lists close[3] . . . . .12:00 noon on Tuesday, January 14, 2020

Expected Price Determination Date[5] . . . . Tuesday, January 14, 2020

Announcement of the Offer Price, the level of applications in the Hong Kong Public Offering, the level of indications of interest in the International Offering and the basis of allocation of the Hong Kong Public Offer Shares to be published in the Hong Kong Economic Times (in Chinese) and on the websites of the Stock Exchange at **www.hkexnews.hk** and our Company at **www.zgclease.com** on or before[6]. . . . . Monday, January 20, 2020

Results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels. (See "How to Apply for Hong Kong Public Offer Shares—Publication of Results") from . . . . Monday, January 20, 2020

Results of allocations for the Hong Kong Public Offering will be available at **www.iporesults.com.hk** (alternatively: English **https://www.eipo.com.hk/en/Allotment**; Chinese **https://www.eipo.com.hk/zh-hk/Allotment**) with a "search by ID" function . . . . Monday, January 20, 2020

H Share certificates (if applicable) in respect of wholly or partially successful applications to be despatched on or before . . . . Monday, January 20, 2020

White Form e-Refund payment instructions/Refund cheques in respect of wholly successful (if applicable) or wholly or partially unsuccessful applications to be despatched on or before[7] . . . . .Monday, January 20, 2020

Dealings in H Shares on the Stock Exchange to commence on . . . . Tuesday, January 21, 2020

The application for the Hong Kong Public Offer Shares will commence on Tuesday, December 31, 2019 through Tuesday, January 14, 2020, being longer than normal market practice of four days. The application monies (including the brokerages, SFC transaction levies and Stock Exchange trading fees) will be held by the receiving banks on behalf of the Company and the refund monies, if any, will be returned to the applicants without interest on Monday, January 20, 2020. Investors should be aware that the dealings in the H Shares on the Hong Kong Stock Exchange are expected to commence on Tuesday, January 21, 2020.

(1) All times refer to Hong Kong local time. Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering."

(2) You will not be permitted to submit your application through the designated website at **www.eipo.com.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

(3) If there is a tropical cyclone warning signal number 8 or above, a "black" rainstorm warning signal and/or Extreme Conditions in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, January 14, 2020, the application lists will not open on that day. Further information is set out in the section headed "How to Apply for Hong Kong Public Offer Shares—Effect of bad weather on the opening of the application lists."

(4) Applicants who apply for Hong Kong Public Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section headed "How to Apply for Hong Kong Public Offer Shares—Applying by giving electronic application instructions to HKSCC via CCASS" for details.

(5) The Offer Price is expected to be determined by Tuesday, January 14, 2020, but in any event, the expected time for determination of the Offer Price will not be later than Sunday, January 19, 2020. If, for any reason, the Offer Price is not agreed between the Sole Global Coordinator, on behalf of the Underwriters, and our Company by Sunday, January 19, 2020, the Global Offering will not proceed.

(6) If the Offer Price is determined on Tuesday, January 14, 2020, the announcement of the Offer Price, the level of applications in the Hong Kong Public Offering, the level of indications of interest in the International Offering and the basis of allocation of the Hong Kong Public Offer Shares and the successful applicants' identification document numbers will be published on or before Monday, January 20, 2020.

(7) Applicants who apply for 1,000,000 Hong Kong Public Offer Shares or more under the Hong Kong Public Offering and have provided all required information may collect any refund cheque(s) (if applicable) and/or H Share certificate(s) (if applicable) in person from our 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 from 9:00 a.m. to 1:00 p.m. on Monday, January 20, 2020. Applicants being individuals who are eligible for personal collection must not authorize any other person to make collection on their behalf. Applicants being corporations who are eligible for personal collection must attend by their authorized representatives bearing letters of authorization from their corporations stamped with the corporations' chop. Identification and (where applicable) authorization documents acceptable to our 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, must be produced at the time of collection. Uncollected H Share certificates and refund cheques will be despatched by ordinary post at the applicants' own risk to the addresses specified on the relevant Application Forms. Further details are set out in the paragraphs headed "Dispatch/collection of H share certificates and refund monies" in the section headed "How to Apply for Hong Kong Public Offer Shares."

H Share certificates for the Hong Kong Public Offer Shares are expected to be issued on Monday, January 20, 2020, but will only become valid certificates of title at 8:00 a.m. on the Listing Date, provided that (1) the Global Offering has become unconditional in all respects, and (2) the right of termination as described in the section headed "Underwriting—Hong Kong Underwriting Arrangements—Hong Kong Public Offering—Grounds for Termination" has not been exercised. Investors who trade H Shares on the basis of publicly available allocation details before the receipt of H Share certificates and before they become valid do so entirely at their own risk.

For details of the structure of the Global Offering, including the conditions thereof, see "Structure of the Global Offering."

This prospectus is issued by our Company solely in connection with the Hong Kong Public Offering and the Hong Kong Public Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Public Offer Shares. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. Our Company has not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus or the Application Forms must not be relied on by you as having been authorized by our Company, the Sole Global Coordinator, any of the Underwriters, any of our or their respective directors, officers, representatives, or affiliates, or any other person or party involved in the Global Offering. Information contained in our website, located at ***www.zgclease.com****, does not form part of this prospectus.*

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This summary aims to give you an overview of the information contained in this prospectus and should be read in conjunction with the full text of this prospectus. Since this is a summary, it does not contain all the information that may be important to you. You should read the whole prospectus, including our financial statements and the accompanying notes, before you decide to invest in the Offer Shares.

There are risks associated with any investment. Some of the particular risks of investing in the Offer Shares are set forth in "Risk Factors." You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW AND OUR BUSINESS MODEL

We are a pioneer and the most dedicated finance lease company in serving technology and new economy companies in China in terms of the percentage of revenue in 2018 generated from technology and new economy companies, according to the F&S Report. In 2018, the percentage of our revenue generated from technology and new economy companies exceeded 95%, a percentage higher than any other finance lease company in China, according to the F&S Report. We are also the fifth largest finance lease company approved by MOFCOM serving more than four technology and new economy sectors in terms of revenue generated from technology and new economy companies in 2018, according to the F&S Report. Adopting a customer-oriented business model and supported by our highly effective risk management system, we offer 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. As of June 30, 2019 and since our inception, we had served more than 750 lessees, more than 95% of which are technology and new economy companies, and had launched more than 1,200 finance lease projects with an aggregate principal amount of approximately RMB15.6 billion. According to the F&S Report, we account for a market share of 0.9% in China's highly fragmented technology and new economy finance lease industry in terms of technology and new economy finance lease revenue in 2018. The market share of technology and new economy finance lease segment in China's finance lease industry, as demonstrated by balance of finance lease contract of China's technology and new economy finance lease companies as a percentage of total contract balance of all finance leases in China, was 11.1% in 2018.

We focus our services on technology and new economy companies in China because we believe in their tremendous growth potentials and see great business opportunities in their huge unmet needs for efficient financial services:

- According to the F&S Report, the aggregate market size of China's technology and new economy industries is expected to grow at a CAGR of 16.9% from 2018 to 2023. The aggregate market size of China's technology and new economy industries as a percentage of China's GDP increased from 14.3% in 2014 to 17.5% in 2018, and is expected to further grow to 26.0% by 2023, according to the F&S Report.

- Technology and new economy companies in China have large unmet needs for efficient financing services. Traditional mainstream financial institutions in China do not primarily focus on serving technology and new economy companies, especially those with asset-light business models, or on properly appraising and responding to their risk profiles. In addition, it may not be realistic or efficient for most technology and new economy companies to solely rely on private equities and venture capitals to fund their growth in light of such investors' appetite for investment return, investment time horizon or requirement on management influence.

Our finance lease solutions primarily take the form of direct lease and sale-and-leaseback, and, in certain cases, also incorporate various functions designed to suit different business needs for our customers. See the charts illustrating the two models in "Business—Our Business Operations—Finance Lease Solutions" for details. The leased assets in our finance lease solutions typically include equipment, terminals (such as medical service terminals that directly serve patients, and payment processing equipment that facilitate consumer transactions such as point-of-sales machines), infrastructure (such as base stations used by telecommunications service providers to transmit signals), electronic devices, and assembly lines. We also deliver a variety of advisory services, including policy advisory and management and business consulting, to help our customers achieve rapid growth.

In order to ascertain the market value of the underlying leased assets in relation to our finance lease agreements, our asset management team compiles leased asset reports which cover information on proposed leased assets. The leased asset reports contain, among others, the identities, quantities, primary usages, book values and locations of the leased assets. We also conduct valuation on our leased assets by our asset management team led by a PRC Certified Public Valuer (註冊資產評估師) upon entering into finance lease agreements, and we also periodically track and evaluate the value of leased assets. During the Track Record Period, there were no significant differences between the net book values and the market values of leased assets from our finance lease agreements when initially signed. According to the F&S Report, such practice is in line with the industry norm.

Being in the right place at the right time has a lot to do with our success in the past. Strategically based in Zhongguancun, Beijing, often referred to as China's Silicon Valley, and leveraging our in-depth insights into the characteristics and development patterns of technology and new economy companies and industries, we have been focusing on providing efficient finance lease solutions and advisory services to companies in the emerging and fast-growing industries such as big data, eco-solutions, life sciences & healthcare, intelligent manufacturing, and internet-based products & services. With our comprehensive set of risk management structure, policies, procedures and tools, we are well-positioned to reduce our risk exposures while satisfying our customer's funding needs. In particular, we not only assess our customers' past operational and financial performance, but also take into account their future growth potentials, which we believe has equipped us with a new perspective and valuable insights in assessing a technology and new economy company's suitability for debt financing. In addition to satisfying their funding needs, our finance lease solutions, in certain cases, are also designed to help our customers achieve their various business goals, such as promoting sales growth and optimizing business models.

During the Track Record Period, we successfully capitalized on the growth of our customers and experienced steady growth in our business operations. Our total revenue increased from RMB318.0 million in 2016 to RMB412.8 million in 2018, representing a CAGR of 13.9%, and from RMB180.9 million in the six months ended June 30, 2018 to RMB250.1 million in the six months ended June 30, 2019, representing a 38.2% growth rate. Our profit for the year increased from RMB82.6 million in 2016 to RMB119.0 million in 2018, representing a CAGR of 20.0%, and our profit for the period increased from RMB54.8 million in the six months ended June 30, 2018 to RMB74.2 million in the six months ended June 30, 2019, representing a 35.3% growth rate. Our NPA ratios remained at a relatively low level of 0.7%, 1.5%, 1.3%, and 1.4% as of December 31, 2016, 2017 and 2018 and June 30, 2019, respectively, which we believe reflect the efficacy of our risk management.

INDUSTRY BACKGROUND

Technology and new economy finance lease refers to the financing arrangements targeting technology and new economy companies through finance lease solutions and other relevant value-added services to facilitate their growth. Finance lease companies with a focus on technology and new economy industries first appeared in China in 2012 and are still at an early development stage. China's technology and new economy finance lease industry has since experienced substantial growth in terms of both market size and operating revenue. According to the F&S Report, the balance of China's finance lease contracts in the technology and new economy finance lease industry is expected to grow to RMB1.9 trillion in 2023, representing a CAGR of 20.4% from 2018 to 2023, and the operating revenue of technology and new economy finance lease companies is expected to grow to RMB118.9 billion in 2023, representing a CAGR of 22.4% from 2018 to 2023. According to the F&S Report, we had a market share of 0.9% among China's technology and new economy finance lease companies in terms of revenue in 2018 generated from technology and new economy companies in China.

COMPETITIVE STRENGTHS

We believe our following key strengths distinguish us from our competitors, and will help us achieve significant growth in the future: (1) pioneer dedicated to providing efficient finance lease solutions to technology and new economy companies in China, (2) customer-oriented business model featuring efficient finance lease solutions and a variety of advisory services to facilitate our customers' growth, (3) prudent and highly effective risk management, (4) a growing and high-quality customer base, and (5) a visionary and experienced management team and staff complemented by the support of our Controlling Shareholder.

BUSINESS STRATEGIES

Our strategies to achieve our goals include the following: (1) expand our customer base, (2) improve our risk management capabilities, (3) delve into technology and new economy industries, and (4) build a talented and professional business team.

OUR FUNDING SOURCES AND CUSTOMERS

Our Funding Sources

We have diverse and sustainable funding sources to support our business growth, which primarily include commercial bank loans, asset-backed securities and entrusted loans from our Controlling Shareholders and their subsidiaries.

As of June 30, 2019 and since our inception, we had worked with more than 20 commercial banks in China from whom we had cumulatively obtained more than RMB5.0 billion through credit loans. As of the Latest Practicable Date, we have also issued four batches of asset-backed securities, raising more than RMB2.5 billion.

The following table sets forth the breakdown of our interest expense and amount of proceeds from borrowings by funding sources for the years or periods indicated.

	For the year ended December 31,						For the six months ended June 30,			
	2016		2017		2018		2018		2019	
	Interest expense	Proceeds	Interest expense	Proceeds	Interest expense	Proceeds	Interest expense	Proceeds	Interest expense	Proceeds
					(RMB in thousands)					
Commercial banks	46,905	958,642	42,265	881,930	59,694	1,379,638	22,886	668,800	39,507	990,578
Asset-backed securities	20,174	576,000	14,213	–	7,617	681,000	1,181	–	10,151	–
Entrusted loans	54,887	630,000	69,822	476,000	69,173	318,000	37,064	18,000	37,676	300,000
Others	1,860	130,000	–	–	–	–	–	–	–	–
Total	123,826	2,294,642	126,300	1,357,930	136,484	2,378,638	61,131	686,800	87,334	1,290,578

Our Customers

We offer finance lease solutions and advisory services primarily to technology and new economy companies in the following five industries: big data, eco-solutions, life sciences & healthcare, intelligent manufacturing, and internet-based products & services. As of June 30, 2019 and since our inception, we had entered into more than 1,200 finance lease agreements with over 750 lessees, and over 550 lessees still have outstanding lease agreements with us.

The following table sets forth the number of customers, number of lessees, and number of outstanding lease agreements by industry as of June 30, 2019.

Industry	Number of customers(1)	Number of lessees(2)	Number of lease agreements	Percentage of total number of lease agreements
Big data	45	53	115	14.3%
Eco-solutions	86	111	138	17.2%
Life sciences & healthcare	109	243	328	40.8%
Intelligent manufacturing	61	78	111	13.8%
Internet-based products & services	52	62	93	11.6%
Others	10	12	19	2.3%
Total	**362**	**559**	**804**	**100.0%**

(1) As of June 30, 2019, a customer operated business in both eco-solutions and intelligent manufacturing industries.

(2) Lessee entities within one group company are tallied as one single customer. Therefore, one customer group company may contain multiple lessees that have entered into finance lease agreements with us.

KEY OPERATING DATA

The following table sets forth the number of lease agreements we entered into in the years or periods indicated and the corresponding total principal value.

	For the year ended December 31,						For the six months ended June 30,			
	2016		2017		2018		2018		2019	
	Number of agreements	Total principal value	Number of agreements	Total principal value	Number of agreements	Total principal value	Number of agreements	Total principal value	Number of agreements	Total principal value
	(RMB in thousands, except for number of agreements)									
Direct Lease	81	851,471	91	887,522	98	732,205	38	216,722	39	185,783
Sale-and-leaseback	134	1,901,195	184	1,936,410	214	2,921,228	94	1,239,253	147	1,631,620
Total	**215**	**2,752,666**	**275**	**2,823,932**	**312**	**3,653,433**	**132**	**1,455,975**	**186**	**1,817,403**

The following table sets forth the average finance lease principal size, number of customers and number of lease agreements outstanding as of the dates indicated.

	As of December 31,			As of June 30,
	2016	2017	2018	2019
Average finance lease principal size (RMB in thousands)	14,518	12,193	12,002	11,495
Number of customers	229	270	321	362
Number of finance lease agreements	436	594	711	804

The following table sets forth the range of effective interest rates of finance lease agreements by industry, whose finance lease receivables were under the "normal" classification, as of the dates indicated. As advised by our PRC legal advisors, the interest rates do not violate any applicable PRC laws and regulations.

	As of December 31,			As of June 30,
	2016	2017	2018	2019
	(%)			
Big data	4.8-10.5	4.8-13.0	4.8-13.0	4.8-13.0
Eco-solutions	5.3-10.3	4.8-11.9	4.8-10.1	4.8-10.2
Life sciences & healthcare	4.3-13.8	4.3-10.1	4.3-17.0	4.3-17.0
Intelligent manufacturing	4.8-10.1	4.8-11.3	4.8-13.1	4.8-11.9
Internet-based products & services	6.1-13.5	5.5-11.4	5.5-11.0	5.5-10.2
Others	5.8-10.0	5.8-10.0	6.0-9.8	6.0-9.8

The following table sets forth the range of interest rate charged based on finance lease agreements by industry as of the dates indicated.

	As of December 31,			As of June 30,
	2016	2017	2018	2019
	(%)			
Big data	4.4-9.1	4.4-9.1	4.4-9.1	4.8-9.1
Eco-solutions	5.1-7.0	4.8-7.1	4.8-7.5	4.8-8.9
Life sciences & healthcare	4.3-7.1	4.3-7.1	4.3-8.7	4.3-8.7
Intelligent manufacturing	4.8-7.0	4.8-6.8	4.8-7.6	4.8-7.6
Internet-based products & services	4.8-8.6	4.8-8.6	4.8-8.5	5.5-8.0
Others	5.8-7.3	5.8-7.3	6.0-6.9	6.0-7.3

The following table sets forth the balances of and changes in the number of lease agreements and lease principal amount in the years or period and as of the dates indicated. The average term of our finance lease agreements were 2.7 years, 2.9 years, 2.8 years and 2.8 years in 2016, 2017, 2018 and the six months ended June 30, 2019, respectively.

	As of/For the year ended December 31,						As of/For the six months ended June 30,	
	2016		2017		2018		2019	
	Number of agreements	Total principal	Number of agreements	Total principal	Number of agreements	Total principal	Number of agreements	Total principal
	(RMB in thousands, except for number of agreements)							
Beginning	**289**	**4,457,019**	**436**	**6,329,785**	**594**	**7,242,423**	**711**	**8,533,192**
Newly signed lease agreements	**215**	**2,752,666**	**275**	**2,823,932**	**312**	**3,653,433**	**186**	**1,817,403**
One year or shorter	10	262,867	7	160,915	14	237,438	2	48,000
Over one year but not more than three years	194	2,256,499	247	2,362,548	273	3,026,141	167	1,626,641
More than three years	11	233,300	21	300,469	25	389,854	17	142,762
Completed agreements [1]	**68**	**879,900**	**117**	**1,911,294**	**195**	**2,362,664**	**93**	**1,108,395**
One year or shorter	105	1,813,983	197	2,407,258	189	2,585,286	207	2,761,491
Over one year but not more than three years	317	4,210,708	374	4,508,496	494	5,424,052	559	5,846,101
More than three years	14	305,094	23	326,669	28	523,854	38	634,608
Ending	**436**	**6,329,785**	**594**	**7,242,423**	**711**	**8,533,192**	**804**	**9,242,200**

(1) During the Track Record Period, we disposed of three finance lease agreements at gains to two purchasers, both of whom were Independent Third Parties. For details on the disposed finance lease agreements, see "Risk Management—Credit Risk Management—Project Completion and Disposal of Non-performing Assets."

SUMMARY FINANCIAL INFORMATION

The following table sets forth our consolidated statements of profit or loss for the years or periods indicated.

	For the year ended December 31,			For the six months ended June 30,	
	2016	2017	2018	2018	2019
	(RMB in thousands)				
				(unaudited)	
Revenue	318,046	358,581	412,783	180,914	250,051
Other net income	10,631	9,606	16,331	4,582	13,779
Interest expense	(146,890)	(155,134)	(168,012)	(75,894)	(105,606)
Operating expense	(47,341)	(56,820)	(74,854)	(33,136)	(43,607)
Impairment losses charged	(24,073)	(25,969)	(27,364)	(3,292)	(15,549)
Profit before taxation	**110,373**	**130,264**	**158,884**	**73,174**	**99,068**
Income tax expense	(27,750)	(32,829)	(39,888)	(18,334)	(24,855)
Profit for the year/period	**82,623**	**97,435**	**118,996**	**54,840**	**74,213**
Attributable to:					
Equity holders of the Company	82,623	97,435	118,996	54,840	74,213
Profit for the year/period	**82,623**	**97,435**	**118,996**	**54,840**	**74,213**

The following table sets forth our revenue by services for the years or periods indicated, both in absolute amount and as a percentage of total revenue.

	For the year ended December 31,						For the six months ended June 30,			
	2016		2017		2018		2018		2019	
	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage
	(RMB in thousands, except for percentage of revenue)									
Interest income from finance leases										
Direct lease	53,856	16.9	76,716	21.4	89,796	21.8	45,880	25.4	45,898	18.3
Sale-and-leaseback	199,640	62.8	207,055	57.7	250,775	60.7	109,174	60.3	158,730	63.5
Advisory fee income	64,550	20.3	74,810	20.9	72,212	17.5	25,860	14.3	45,423	18.2
Total	**318,046**	**100.0**	**358,581**	**100.0**	**412,783**	**100.0**	**180,914**	**100.0**	**250,051**	**100.0**

Had IAS 39 been applied instead of IFRS 9 throughout the Track Record Period, the key items in the consolidated statements of profit or loss in 2016, 2017, 2018 and the six months ended June 30, 2018 and 2019, such as impairment losses, income tax expense, and profit for the year or period, would have been affected; in addition, certain key items in the consolidated statements of financial position as of December 31, 2016, 2017 and 2018 and June 30, 2019, such as finance lease receivables, deferred tax assets, trade and other liabilities, reserves and net assets, would also have been affected. For details on the effects of the adoption of IFRS 9 on our consolidated statements of profit or loss, see “Financial Information—Basis of Presentation.”

The following table sets forth selected cash flow data from our consolidated statements of cash flows for the years or periods indicated.

	For the year ended December 31,			For the six months ended June 30,	
	2016	2017	2018	2018	2019
	(RMB in thousands)				
				(unaudited)	
Operating profit before changes in working capital	282,907	310,561	355,009	152,687	220,906
Net cash (used in)/generated from operating activities[1]	(444,094)	113,512	(542,000)	(126,786)	(108,972)
Net cash (used in)/generated from investing activities	(84,898)	81,155	(1,435)	12	(1,357)
Net cash generated from/ (used in) financing activities	557,265	(101,483)	523,756	(37,367)	187,352
Net increase/(decrease) in cash and cash equivalents	28,273	93,184	(19,679)	(164,141)	77,023
Cash and cash equivalents at the beginning of year/period	204,842	233,115	326,299	326,299	306,620
Cash and cash equivalents at the end of year/period	**233,115**	**326,299**	**306,620**	**162,158**	**383,643**

(1) For 2016, 2018 and the six months ended June 30, 2018 and 2019, the net cash outflow arising out of our operating activities is primarily due to the increase in finance lease receivables during the same periods.

During the Track Record Period, we experienced cash outflow from operating activities for certain years or periods, which was primarily due to the expansion of our business scale. We incur operating cash outflow by releasing lease principals to lessees at the beginning of lease terms and generate operating cash inflow throughout the lease terms in the form of periodic lease payments and advisory service fees by lessees. As the number of lease projects increased and our business scale expanded during the Track Record Period, the principals we released arising out of the lease agreements during a certain year or period outpaced the increase in lease payments we received from lessees arising out of lease agreements we had entered into in prior and current years or periods.

While we believe that the cash outflow from operating activities during the Track Record Period was an indicator of our business growth, we have taken the following steps to improve our overall cash flow position. First, we have in place, and intend to continue to improve, our post-lease management system to closely monitor our lessees' business operations, financial condition and repayment records to ensure the steady stream of operating cash inflow generated from prompt collection of lease payments and advisory service fees from our lessees. Second, our finance department will prepare regular cash flow forecasts to project up-to-date liquidity position of our Company for our management to review. In particular, we will closely review and analyze our finance lease receivables in terms of scale, terms and pricing. Third, our business project teams, finance team and financial market team will discuss the cash flow forecast to ensure that the parameters in the forecast and plan are up-to-date and reflect our actual cash position. We also intend to maintain and improve our solid relationships with our various funding sources, such as commercial banks and asset-backed securities, and to establish new relationships with more funding sources to ensure that we maintain sufficient funds to fulfil our payment obligations in the foreseeable future.

The following table sets forth the calculation of our operating profit before changes in working capital in the years or periods indicated.

	For the year ended December 31,			For the six months ended June 30,	
	2016	2017	2018	2018	2019
	(RMB in thousands)				
				(unaudited)	
Operating activities					
Profit before taxation	110,373	130,264	158,884	73,174	99,068
Adjustment for:					
Investment income	(149)	(1,559)	(1)	–	–
Interest expense	146,890	155,134	168,012	75,894	105,606
Depreciation and amortization	1,720	753	764	340	680
Impairment losses charged	24,073	25,969	27,364	3,292	15,549
(Gains)/losses on disposal of equipment	–	–	(14)	(13)	3
Operating profit before changes in working capital	282,907	310,561	355,009	152,687	220,906

The key driver for changes in our operating profit before changes in working capital is the steady growth of our business. During the Track Record Period, our revenue steadily increased. Meanwhile, we raised an increasing amount of funds to support our business expansion, which led to increase in our interest payments. As our business and total assets grew, our impairment losses charged also increased.

We regularly monitor our liquidity requirements to ensure we maintain sufficient cash reserve to meet our liquidity requirements in the short and long term. The following table sets forth the remaining contractual maturities as of the dates indicated of our financial assets and financial liabilities based on contractual undiscounted cash flows and the earliest date we may be required to pay.

	Indefinite/ overdue/on demand	Within one month	One to three months	Three months to one year	One to five years	Over five years	Total
	(RMB in thousands)						
December 31, 2016							
Total financial assets	413,621	145,501	497,126	1,660,117	2,133,003	–	4,849,368
Total financial liabilities	1,300	95,513	256,354	1,770,077	1,857,123	105,505	4,085,872
Net exposure	412,321	49,988	240,772	(109,960)	275,880	(105,505)	763,496
December 31, 2017							
Total financial assets	479,660	157,448	568,133	1,767,338	2,259,904	219	5,232,702
Total financial liabilities	19,371	23,373	221,159	1,897,992	1,583,757	–	3,745,652
Net exposure	460,289	134,075	346,974	(130,654)	676,147	219	1,487,050
December 31, 2018							
Total financial assets	561,881	180,999	603,377	2,159,618	2,826,944	–	6,332,819
Total financial liabilities	26,353	243,508	207,223	2,817,193	1,313,308	3,347	4,610,932
Net exposure	535,528	(62,509)	396,154	(657,575)	1,513,636	(3,347)	1,721,887
June 30, 2019							
Total financial assets	688,697	228,614	650,333	2,317,090	2,775,178	–	6,659,912
Total financial liabilities	39,760	377,656	675,034	2,024,487	1,641,739	–	4,758,676
Net exposure	648,937	(149,042)	(24,701)	292,603	1,133,439	–	1,901,236

For more details, see "Risk Management—Liquidity Risk Management—Management of Liquidity Mismatch" and note 24 to the Accountants' Report included in Appendix I to this prospectus.

The following table sets forth our summary consolidated statements of financial position as of the dates indicated.

	As of December 31,			As of June 30,
	2016	2017	2018	2019
	(RMB in thousands)			
Total non-current assets	2,004,806	2,135,374	2,685,338	2,655,601
Total current assets	2,614,399	2,864,460	3,283,618	3,593,056
Total non-current liabilities	2,117,715	1,827,873	1,755,417	1,725,977
Total current liabilities	1,869,565	1,969,245	2,925,778	3,195,646
Net current assets	744,834	895,215	357,840	397,410
Total assets less current liabilities	2,749,640	3,030,589	3,043,178	3,053,011
Net assets	631,925	1,202,716	1,287,761	1,327,034
Total equity	631,925	1,202,716	1,287,761	1,327,034

Our net current assets decreased from RMB895.2 million as of December 31, 2017 to RMB357.8 million as of December 31, 2018, primarily due to the significant increase in the amount of short-term borrowings to lower our average financing costs. The interest rates of our short-term borrowings were generally lower compared to mid- to long-term borrowings, which resulted in lowered average financing costs.

In 2016, 2017, 2018 and the six months ended June 30, 2019, the aggregate coverage ratio for lease agreements we entered into during the same periods was 1.46, 1.39, 1.54 and 1.56, respectively. As of December 31, 2016, 2017 and 2018 and June 30, 2019, the aggregate coverage ratio was 2.04, 2.03, 2.02 and 2.05, respectively. For details on our coverage ratios, see "Business—Our Business Operations—Leased Assets—Coverage ratio."

The following table sets forth the contribution by industry to our interest income for the years or periods indicated, both in absolute amount and as a percentage of total interest income.

	For the year ended December 31,						For the six months ended June 30,			
	2016		2017		2018		2018		2019	
	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage
	(RMB in thousands, except for percentages)									
Big data	44,844	17.7	42,806	15.1	50,070	14.7	21,665	14.0	34,917	17.1
Eco-solutions	88,463	34.9	86,083	30.3	90,829	26.7	38,387	24.8	48,401	23.7
Life sciences & healthcare	47,179	18.6	52,794	18.6	69,325	20.4	30,338	19.6	47,202	23.0
Intelligent manufacturing	36,408	14.4	51,569	18.2	69,290	20.3	34,587	22.3	42,418	20.7
Internet-based products & services	18,886	7.5	35,575	12.5	45,209	13.3	22,417	14.5	25,549	12.5
Others	17,716	6.9	14,944	5.3	15,848	4.6	7,660	4.8	6,141	3.0
Interest income	253,496	100.0	283,771	100.0	340,571	100.0	155,054	100.0	204,628	100.0

The following table sets forth a breakdown of our gross finance lease receivable by customer industries as of the dates indicated.

	As of December 31,			As of June 30,
	2016	2017	2018	2019
	(RMB in thousands)			
Big data	758,549	678,125	1,085,335	1,078,023
Eco-solutions	1,513,200	1,384,712	1,604,533	1,622,846
Life sciences & healthcare	778,869	898,939	1,156,613	1,308,392
Intelligent manufacturing	704,794	1,007,377	1,241,422	1,385,950
Internet-based products & services	538,628	715,563	702,231	708,242
Others	237,804	200,071	169,155	155,858
Total	**4,531,844**	**4,884,787**	**5,959,289**	**6,259,311**

The following table sets forth the breakdown of our carrying amount of finance lease receivables by customers' geographical regions. See "Financial Information—Description of Major Components of Our Consolidated Statements of Profit or Loss" for definitions of the various geographical regions in the following table.

	As of December 31,			As of June 30,
	2016	2017	2018	2019
	(RMB in thousands)			
Northern	3,128,977	2,918,859	3,507,935	3,411,505
Eastern	388,406	643,481	797,236	988,328
Central	320,352	550,795	467,656	508,956
Southern	5,389	43,466	216,446	284,751
Northwestern	85,656	116,659	196,403	256,320
Southwestern	98,597	59,988	60,514	102,631
Northeastern	81,675	87,896	130,604	106,913
Total	**4,109,052**	**4,421,144**	**5,376,794**	**5,659,404**

The following table sets forth the breakdown of our carrying amount of finance lease receivables by lessee types. See "Financial Information—Description of Major Components of Our Consolidated Statements of Profit or Loss" for definitions of public company lessees.

	As of December 31,			As of June 30,
	2016	2017	2018	2019
	(RMB in thousands)			
Public company lessees	1,199,107	957,350	1,152,502	988,110
Non-public company lessees	2,909,945	3,463,794	4,224,292	4,671,294
Total	**4,109,052**	**4,421,144**	**5,376,794**	**5,659,404**

The following table set forth our key financial ratios as of the dates or for the years or period indicated. See "Financial Information—Key Financial Ratios" for definitions of the financial ratios in the following table.

	As of/For the year ended December 31,			As of/For the six months ended June 30,
	2016	2017	2018	2019
		(%)		
Profitability				
Return on average equity	13.6	10.6	9.6	11.4
Return on average assets	2.1	2.0	2.2	2.4
Net interest spread	2.2	2.2	2.4	2.3
Net interest margin	2.9	3.1	3.6	3.5
Net profit margin	26.0	27.2	28.8	29.7
Liquidity				
Liquidity ratio	139.8	145.5	112.2	112.4
Risk asset to equity ratio	694.1	387.6	437.6	441.7
Liability-to-asset ratio	86.3	75.9	78.4	78.8
Asset quality ratios				
NPA ratio	0.7	1.5	1.3	1.4
Allowance coverage ratio for NPAs	197.8	118.0	151.2	155.4
Ratio of allowance for impairment losses to net finance lease receivables	1.4	1.8	2.0	2.2
Default rate	1.9	3.9	4.0	4.3

During the Track Record Period, the overall increase in revenue was primarily due to increase in the number of lessees served and the number and value of lease agreements entered into. The overall increase in our net profit was primarily driven by the increase in our revenue. Such increases also led to an increase in the balance of our finance lease receivables, which in turn led to fluctuations in certain financial ratios. Our carrying amount of finance lease receivables increased from RMB4,109.1 million as of December 31, 2016 to RMB5,659.4 million as of June 30, 2019, primarily due to the expansion of the scale of our finance lease business and the increase in the number of finance lease agreements we entered into. Our borrowings were RMB3,043.3 million, RMB2,612.3 million, RMB3,319.7 million and RMB3,600.4 million as of December 31, 2016, 2017 and 2018 and June 30, 2019, respectively. The fluctuations in the amount of borrowing balance was primarily due to a combination of commercial and industry factors, such as our short- and long-term liquidity needs, the prevailing interest rates and borrowing costs. In 2017, our registered capital increased by RMB500.0 million to a total of RMB1.0 billion, which alleviated our funding needs from external funding sources, reducing our borrowing balance as of December 31, 2017.

Our NPA ratio increased from 0.7% in 2016 to 1.5% in 2017, and our allowance coverage ratio for NPAs decreased from 197.8% to 118.0% during the same periods, primarily because certain finance lease receivables were classified into the doubtful classification. Our NPA ratio remained at 1.3% and 1.4% in 2018 and the six months ended June 30, 2019, and our allowance coverage ratio for NPAs also remained steady at 151.2% and 155.4% during the same periods. For details on the calculation methods and detailed analysis on the changes of our key financial ratios during the Track Record Period, see "Financial Information—Key Financial Ratios."

According to the F&S Report, the default rate based on finance lease receivables overdue for more than 90 days is one of the common practices regrading to default treatment in the financial leasing industry and the industry average 90 days default rate ranges from approximately 1.52% to 4.09% as of December 31, 2016, 2017 and 2018. As of the same dates, our default rates fell within the industry range.

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGES

From July 1, 2019 to the Latest Practicable Date, we entered into 238 lease agreements with 197 lessees, 157 of whom were new lessees. The total principal amount of these lease agreements was approximately RMB2,572.0 million. On August 6, 2019, we issued Phase 4 asset-backed securities with two tranches: senior tranche Class A with principal amount of RMB760 million, coupon rate of 5.35% and an expected maturity date on August 5, 2022; senior tranche Class B with principal amount of RMB210 million, coupon rate of 4.70% and an expected maturity date on August 5, 2022; and junior tranche with principal amount of RMB30 million and an expected maturity date on August 5, 2022. We hold all junior tranche asset-backed securities. On August 16, 2019, we became a joint stock limited liability company and was renamed to Zhongguancun Science-Tech Leasing Co., Ltd (中關村科技租賃股份有限公司). Our Directors have confirmed that there has been no material adverse change in our business operations, financial position or prospect since June 30, 2019 and up to the date of this prospectus.

USE OF PROCEEDS

Assuming the Over-allotment Option is not exercised, we estimate that the net proceeds of the Global Offering, after deducting the estimated underwriting fees and expenses payable by us in connection with the Global Offering, will be in the amounts set out below:

- approximately HK$452.6 million, assuming an Offer Price of HK$1.52 per H Share, being the low-end of the proposed Offer Price range;
- approximately HK$484.9 million, assuming an Offer Price of HK$1.62 per H Share, being the mid-point of the proposed Offer Price range; or
- approximately HK$517.2 million, assuming an Offer Price of HK$1.72 per H Share, being the high-end of the proposed Offer Price range.

We intend to use the net proceeds from the Global Offering for the purposes and in the amounts set out below, assuming the Offer Price is fixed at HK$1.62 per H Share (being the mid-point of the indicative range of the Offer Price of HK$1.52 to HK$1.72 per H Share) and the Over-allotment Option is not exercised:

- approximately 70% of the net proceeds, or HK$339.4 million, to expand our business operations by offering finance lease solutions and financial services to more technology and new economy, companies in big data, eco-solutions, life sciences & healthcare, intelligent manufacturing, and internet-based products & services industries in China;
- approximately 10% of the net proceeds, or HK$48.5 million, to improve our information systems to improve our project assessment processes and improve our customer service capabilities. We intend to digitize our risk management processes to achieve greater efficiency and uniformity in our assessment of potential lease projects and customers;
- approximately 10% of the net proceeds, or HK$48.5 million, to recruit more talented specialized personnel with valuable experience, knowledge and skillsets to improve our core competitiveness, and increase our compensation to existing employees in order to increase our ability to retain talents; and
- any remaining balance to be used for additional working capital and other general corporate purposes.

The above allocation of the proceeds will be adjusted on a pro rata basis in the event that the Offer Price is fixed below or above the mid-point of the indicative price range. Any additional proceeds received from the exercise of the Over-allotment Option will also be allocated to the above purposes on a pro rata basis. In the event that the Over-allotment Option is exercised in full, we will receive net proceeds of HK$563.5 million (assuming an Offer Price of HK$1.62 per H Share, the mid-point of our indicative Offer Price range). To the extent that the net proceeds are not immediately applied to the above purposes, we intend to deposit the net proceeds into short-term demand deposits and/or money market instruments.

FUTURE PLANS

See "Business—Our Business Strategies" for a detailed description of our future plans.

LISTING EXPENSES

The total estimated listing expenses (including underwriting commissions) in relation to the Global Offering (based on the mid-point of our indicative price range for the Global Offering and assuming that the Over-allotment Option is not exercised) are approximately RMB48.4 million. During the Track Record Period, we incurred actual listing expenses of RMB3.3 million in the six months ended June 30, 2019 which were recorded as prepaid listing expenses and will be charged against equity upon successful Listing under the relevant accounting guidelines for the period beginning July 1, 2019 and ending December 31, 2019. We expect to incur further listing expenses of RMB45.1 million, of which RMB5.9 million will be charged to our consolidated statements of profit or loss for the period beginning July 1, 2019 and ending December 31, 2019, and RMB39.2 million is expected to be charged against equity upon successful Listing under the relevant accounting guidelines for the period beginning July 1, 2019 and ending December 31, 2019.

DIVIDEND POLICY

In 2016, 2017, 2018 and the six months ended June 30, 2019, we declared cash dividends of RMB30.0 million, RMB30.0 million, RMB35.0 million and RMB35.0 million, respectively. According to our dividend policy adopted by our Shareholders on December 20, 2019, the Articles of Association and applicable laws and regulations, our profit distribution proposal is formulated by our Board, and upon approval by the Board and the Board of Supervisors, it is submitted to a Shareholders' general meeting for consideration where it must be passed by Shareholders representing more than half of the voting rights of the Shareholders who attend the general meeting. Our Board will declare dividends, if any, in RMB with respect to the H Shares on a per Share basis and will pay such dividends in Hong Kong dollars. In principle, we intend to distribute no less than 35% of our annual distributable profits as dividends. All of our Shareholders have equal rights to distributable profits, and our profits will be distributed on a pro-rata basis. Our future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the discretion of our Board. See "Financial Information—Dividends" for more details on our historical dividends.

LEGAL PROCEEDINGS

We are subject to legal proceedings, investigations and claims arising in the ordinary course of our business from time to time. As of the Latest Practicable Date, we were not involved in any litigation or arbitration proceedings pending or, to our knowledge, threatened against us or any of our Directors that could have a material and adverse effect on our business, financial condition or results of operations.

REGULATORY COMPLIANCE

We are subject to a number of regulatory requirements and guidelines issued by the regulatory authorities in China. As advised by our PRC legal advisors, during the Track Record Period and up to the Latest Practicable Date, we were not subject to any administrative penalty or punishment, and we did not commit any material non-compliance of the laws and regulations which, individually or in aggregate, have had or are likely to have in the future, a material financial or operational impact on us, nor did we experience any systematic non-compliance whose recurring nature may reflect negatively on our, our Directors', or our senior management's ability or tendency to operate in a compliant manner.

OFFER STATISTICS(1)

	Based on an Offer Price of HK$1.52 per H Share	Based on an Offer Price of HK$1.72 per H Share
Market capitalization of our H Shares(2)	HK$506.7 million	HK$573.3 million
Unaudited pro forma adjusted net tangible assets attributable to equity holders of the Company per Share(3)	HK$1.47	HK$1.51

(1) All statistics in this table are presented based on the assumption that the Over-allotment Option is not exercised.

(2) The calculation of market capitalization is based on 333,334,000 H Shares expected to be in issue and outstanding following the completion of the Global Offering.

(3) The unaudited pro forma adjusted net tangible assets attributable to equity holders of the Company per Share is arrived at after the adjustments referred to in the section entitled "Appendix II—Unaudited Pro Forma Financial Information" and on the basis of 1,333,334,000 Shares expected to be in issue and outstanding following the completion of the Global Offering, without taking into account the exercise of the Over-allotment Option.

OUR CONTROLLING SHAREHOLDERS AND CONNECTED TRANSACTIONS

Immediately after the completion of the Global Offering, ZGC Investment Center, ZGC Group and ZGC Finance will hold more than 30% of our total issued share capital and will remain as our Controlling Shareholders. Our Directors are of the view that none of our Controlling Shareholders, the Directors and their respective close associates had any interest in a business, apart from our Group business, that competes or is likely to compete, either directly or indirectly, with the Core Business of our Group, which is subject to disclosure pursuant to the requirements of Rule 8.10 of the Listing Rules. See "Relationship with the Controlling Shareholders."

During the Track Record Period, we had entered into certain connected transactions with ZGC Group, including but not limited to provision of finance lease services to ZGC Group and receiving entrusted loans from ZGC Group, which are expected to continue after the Listing. We have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with the rules regarding the relevant requirements under Chapter 14A of the Listing Rules. See "Connected Transactions."

RISK FACTORS

Our business faces risks including those set out in the "Risk Factors" section of this prospectus. As different investors may have different interpretations and criteria when determining the significance of a risk, you should read the "Risk Factors" section of this prospectus in its entirety. Some of the major risk factors that we face include:

- changes and development in the regulatory environment concerning technology and new economy industries and the finance lease industry could adversely affect the business operations of our customers, thus negatively impacting our own results of operations and financial condition;
- changes and developments in the economic environment concerning technology and new economy industries could adversely affect the business operations of our customers, thus negatively impacting our own results of operations and financial condition;
- lessees' ability to pay could deteriorate due to reasons beyond our control, which could have a material adverse impact on our results of operations and financial condition;
- we may not be able to repay our debts, and we may incur more debts;
- we may not be able to successfully compete with our competitors, which could have a material adverse impact on our results of operations and financial condition;
- fluctuations in market interest rate may negatively affect our cost of funding and revenue, which could have a material adverse impact on our results of operations and financial condition; and
- we may not be able to maintain a sufficient level of liquidity necessary to meet our operational needs.

Unless the context otherwise requires, the following expressions have the following meanings in this prospectus. Certain other terms are explained in "Glossary."

"affiliate"	any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"Application Form(s)"	**WHITE** application form(s), **YELLOW** application form(s) and **GREEN** application form(s), individually or collectively, as the context may require
"Articles of Association" or "Articles"	our articles of association, as amended, which shall become effective on the Listing Date, a summary of which is contained in Appendix V to this prospectus
"Audit Committee"	the audit committee of the Board
"Beijing Originwater"	Beijing OriginWater Technology Co., Ltd. (北京碧水源科技股份有限公司), a company incorporated under the laws of the PRC on July 17, 2001 and listed on Shenzhen Stock Exchange (stock code: 300070), and a shareholder of Domestic Shares
"Board of Directors" or "Board"	our board of Directors
"Board of Supervisors"	our board of Supervisors
"Business Day"	a day (other than a Saturday or a Sunday) on which banks in Hong Kong are generally open for normal banking business
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant

"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant, who may be an individual or joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"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 our Company
"China" or "PRC"	the People's Republic of China, which for the purpose of this prospectus and for geographical reference only, excludes Hong Kong, Macau and Taiwan
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company" or "our Company"	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
"Controlling Shareholders"	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
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會)
"Director(s)"	the director(s) of the Company or any one of them

"Domestic Shares"	ordinary shares issued by our Company, with a nominal value of RMB1.00, which are subscribed for or credited as paid in Renminbi
"EIT Law"	the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法) which was adopted by the National People's Congress on March 16, 2007 and became effective on January 1, 2008
"Extreme Conditions"	extreme conditions caused by a super typhoon as announced by the Government of Hong Kong
"F&S Report"	an industry report commissioned by us and prepared by Frost & Sullivan
"GDP"	gross domestic product
"Global Offering"	the Hong Kong Public Offering and the International Offering
"**GREEN** application form(s)"	the application form(s) to be completed by the **White Form eIPO** Service Provider, Computershare Hong Kong Investor Services Limited
"Group," "we" or "us"	our Company and its subsidiaries (or our Company and any one or more of its subsidiaries, as the context may require), or where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
"H Share(s)"	overseas listed foreign shares in our ordinary share capital with a nominal value of RMB1.00 each, which are to be subscribed for and traded in HK dollars and are to be listed on the Stock Exchange
"HK$" or "Hong Kong dollars"	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
"HKSCC"	Hong Kong Securities Clearing Company Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC

"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Public Offer Shares"	the 33,334,000 new H Shares initially being offered by the Company for subscription at the Offer Price under the Hong Kong Public Offering (subject to reallocation as described in "Structure of the Global Offering")
"Hong Kong Public Offering"	the offer by the Company of the Hong Kong Public Offer Shares for subscription by the public in Hong Kong as described in "Structure of the Global Offering" at the Offer Price (plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% of the Offer Price) and on and subject to the terms and conditions stated herein and in the Application Forms relating thereto
"Hong Kong Underwriters"	the underwriters of the Hong Kong Public Offering named in "Underwriting—Hong Kong Underwriters" of this prospectus
"Hong Kong Underwriting Agreement"	the conditional Hong Kong underwriting agreement dated December 30, 2019 relating to the Hong Kong Public Offering entered into by, among others, the Company, the Sole Global Coordinator and the Hong Kong Underwriters
"H Share Registrar"	Computershare Hong Kong Investor Services Limited
"IFRS"	International Financial Reporting Standards
"Independent Third Party(ies)"	a party which is not a connected person (as defined in the Listing Rules) of our Company
"International Offer Shares"	the 300,000,000 new H Shares initially being offered by the Company for subscription at the Offer Price under the International Offering (subject to reallocation as described in "Structure of the Global Offering") together with (unless the context otherwise requires) any H Shares issued pursuant to any exercise of the Over-allotment Option

"International Offering"	the conditional placing by the International Underwriters of the International Offer Shares outside the United States (including to professional, institutional and corporate investors and excluding retail investors in Hong Kong) in reliance on Regulation S for cash at the Offer Price plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% of the Offer Price, details of which are described in "Structure of the Global Offering" on and subject to the terms and conditions stated herein and in the International Underwriting Agreement
"International Underwriting Agreement"	the conditional placing and purchase agreement relating to the International Offering and expected to be entered into by, among others, the Company and the Sole Global Coordinator on behalf of the International Underwriters on or about the Price Determination Date
"International Underwriters"	the group of underwriters led by the Sole Global Coordinator, who is expected to enter into the International Underwriting Agreement
"Joint Bookrunners" and "Joint Lead Managers"	Guotai Junan Securities (Hong Kong) Limited, Silk Road International Capital Limited, BOCOM International Securities Limited and GF Securities (Hong Kong) Brokerage Limited
"Latest Practicable Date"	December 21, 2019, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information contained in this prospectus
"Listing"	listing of the H Shares on the Main Board of the Stock Exchange
"Listing Committee"	the Listing Committee of the Stock Exchange
"Listing Date"	the date expected to be on or about Tuesday, 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 of Hong Kong Limited (as amended from time to time)

"Mandatory Provisions"	the "Mandatory Provisions for Articles of Association of Companies to be Listed Overseas" (到境外上市公司章程必備條款), as amended, supplemented or otherwise modified from time to time, for inclusion in the articles of association of companies incorporated in the PRC to be listed overseas (including Hong Kong), which were promulgated by the former State Council Securities Committee and the former State Commission for Economic System Reform on August 27, 1994
"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
"NDRC"	the National Development and Reform Commission (中華人民共和國國家發展和改革委員會)
"Offer Price"	the final Hong Kong dollar price per Offer Share (before brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) at which H Shares are to be subscribed or purchased pursuant to the Global Offering, which will be not more than HK$1.72 and is expected to be not less than HK$1.52, to be determined as described in "Structure of the Global Offering—Pricing of the Global Offering"
"Offer Shares"	the Hong Kong Public Offer Shares and the International Offer Shares
"Over-allotment Option"	the option to be granted by the Company to the International Underwriters under the International Underwriting Agreement pursuant to which the Company may be required by the Sole Global Coordinator (on behalf of the International Underwriters), to allot and issue up to 50,000,000 additional new H Shares, representing approximately 15% of the Offer Shares initially available under the Global Offering, at the Offer Price to cover over-allocations in the International Offering, if any
"PBOC"	the People's Bank of China (中國人民銀行), the central bank of the PRC

"PRC Company Law"	the Company Law of the People's Republic of China (中華人民共和國公司法)
"PRC GAAP"	generally accepted accounting principles in the PRC;
"PRC Securities Law"	the Securities Law of the People's Republic of China (中華人民共和國證券法)
"Price Determination Date"	the date, expected to be on or about Tuesday, January 14, 2020 (Hong Kong time), when the Offer Price is determined and, in any event, no later than Sunday, January 19, 2020
"Regulation S"	Regulation S under the US Securities Act
"related parties"	has the meaning as set out in the paragraph headed "Related parties" under note 2 to the Accountants' Report included in Appendix I to this prospectus
"Risk Control Committee"	the risk control committee of the Board
"RMB"	Renminbi, the lawful currency of the PRC
"SAIC"	State Administration of Industry and Commerce of the People's Republic of China (中華人民共和國國家工商行政管理總局), now known as State Administration of Market Regulation (國家市場監督管理總局)
"SAFE"	the State Administration for Foreign Exchange of the PRC (中華人民共和國外匯管理局)
"SASAC"	the State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會)
"SFC"	the Securities and Futures Commission of Hong Kong
"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 our Company, comprising our Domestic Shares and our H Shares
"Shareholder(s)"	holder(s) of Shares

"Sole Global Coordinator"	Guotai Junan Securities (Hong Kong) Limited
"Sole Sponsor"	Guotai Junan Capital Limited
"Special Regulations"	the Special Regulations of the State Council on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies (國務院關於股份有限公司境外募集股份及上市的特別規定), promulgated by the State Council on August 4, 1994, as amended, supplemented or modified from time to time
"Stabilizing Manager"	Guotai Junan Securities (Hong Kong) Limited
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary"	has the meaning ascribed to it in the Listing Rules
"Substantial Shareholder"	has the meaning ascribed to it in the Listing Rules
"Supervisor(s)"	the supervisor(s) of the Company or any one of them
"Track Record Period"	the period consisting of the three years ended December 31, 2018, and the six months ended June 30, 2019
"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"United States" or "US"	the United States of America
"US$" or "US dollars"	United States dollars, the lawful currency of the United States
"US Securities Act"	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
"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

"**White Form eIPO**"	applying for Hong Kong Public Offer Shares to be issued in your own name by submitting applications online through the designated website at **www.eipo.com.hk**
"**White Form eIPO** Service Provider"	Computershare Hong Kong Investor Services Limited
"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 our 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 our 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 our Controlling Shareholders
"%"	per cent

Unless otherwise specified, statements contained in this prospectus assume no exercise of the Over-allotment Option.

All times refer to Hong Kong time.

If there is any inconsistency between the Chinese name of the PRC laws and regulations or PRC entities mentioned in this prospectus and their English translation, the Chinese version shall prevail.

Unless otherwise specified, references to years in this prospectus are to calendar years.

Translated English names of Chinese natural persons, legal persons, governmental authorities, institutions or other entities for which no official English translation exists are unofficial translation for identification purposes only.

In this prospectus, the terms "associate," "close associate," "core connected person," "connected person," "connected transaction," "controlling shareholder," "subsidiary" and "substantial shareholder" shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

This glossary of technical terms contains explanations of certain technical terms used in this prospectus. As such, these terms and their meanings may not correspond to standard industry meanings or usage of these terms.

"ABS"	asset-backed securities
"artificial intelligence"	intelligence demonstrated by machines, in contrast to the natural intelligence displayed by humans and other animals
"big data"	see "ICT"
"Brilliance Credit Rating"	Shanghai Brilliance Credit Rating & Investors Service Co., Ltd.
"CAGR"	compound annual growth rate
"direct lease"	lease model under which the lessor purchases the asset designated by the lessee from vendor who directly ships to the lessee, with the lessor holding ownership and legal title of the leased asset until the end of lease term and the lessee obtaining the physical possession and usage of the leased asset and making periodic lease payments
"ECL"	expected credit losses
"eco-solutions"	product development, project contracting and other activities that aim at controlling environmental pollution and protecting natural resources, which mainly includes renewable energy, energy saving and recycling
"finance lease"	a lease arrangement classified under IFRS, pursuant to which substantially all of the risks and rewards incidental to the ownership of an underlying leased assets are transferred from the lessors to the lessees
"ICT"	information and communication technology, which emphasizes the role of unified communications and the integration of all the technology used to handle telecommunications, broadcast and intelligent building management systems, including big data technology. We also refer to ICT as "big data"

"intelligent manufacturing"	advanced manufacturing based on advanced technologies or information technologies that are dedicated to providing solutions to, including but not limited to, new energy automobiles, advanced materials and integrate circuits. It serves as the foundation for general technological advancements, and intelligent robots
"internet-based products & services"	industries with a focus on improving the quality and efficiency of services and products for consumers by adopting advanced technologies, which mainly include home appliance, food and beverage and consumer electronics
"IT"	information technology
"lease and investment"	lease model under which the lessor has the right to either own a small amount of stock warrant of the lessee or carry out debt-to-equity swap when the latest market value of the lessee is higher than the initial market value assessed at the beginning of the lease
"life sciences & healthcare"	biotechnology, pharmaceuticals, biomedical technologies and devices and other similar fields that devote to various stages of research, development, technology transfer and commercialization
"municipalities directly under the central government"	the cities with the highest level classification for cities, having the same rank as provinces, and forming part of the first tier of administrative divisions of China, consisting of Beijing, Tianjin, Shanghai and Chongqing
"new economy"	the aggregation of three new economic activities, i.e. new industries, new types of operation and new business models, a concept which was first proposed by Vice Premier Liu of the PRC in 2000 and further expanded by Premier Li in the 2014 Boao Forum for Asia, which mainly refers to the advanced technological and eco-friendly economic activities
"NPA(s)"	non-performing asset(s)

"operating lease"	a lease arrangements classified under IFRS, pursuant to which substantially all of the risks and rewards incidental to the ownership in the leased assets remain with the lessor
"real economy"	the part of a country's economy that produces goods and services, rather than the part that consists of financial services such as banks and the stock markets
"sale-and-leaseback"	lease model under which the lessee sells and transfers the legal title of its asset to the lessor, who then leases the asset back to the lessee in exchange for periodic lease payments, so that the lessee enjoys uninterrupted usage of the leased asset

We have included in this prospectus forward-looking statements. Statements that are not historical facts, including statements about our intentions, beliefs, expectations or predictions for the future, are forward-looking statements.

This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties, including the risk factors described in this prospectus. Forward-looking statements can be identified by words such as "may," "will," "should," "would," "could," "believe," "expect," "anticipate," "intend," "plan," "continue," "seek," "estimate" or the negative of these terms or other comparable terminology. Examples of forward-looking statements include, but are not limited to, statements we make regarding our projections, business strategy and development activities as well as other capital spending, financing sources, the effects of regulation, expectations concerning future operations, margins, profitability and competition. The foregoing is not an exclusive list of all forward-looking statements we make.

Forward-looking statements are based on our current expectations and assumptions regarding our business, the economy and other future conditions. We give no assurance that these expectations and assumptions will prove to have been correct. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict. Our results may differ materially from those contemplated by the forward-looking statements. They are neither statements of historical fact nor guarantees or assurances of future performance. We caution you therefore against placing undue reliance on any of these forward-looking statements. Important factors that could cause actual results to differ materially from those in the forward-looking statements include, but are not limited to regional, national or global political economic, business, competitive, market and regulatory conditions and the following:

- our future operations, financial condition and performance, and business prospects;
- future developments, trends and conditions in the industry and markets in which we operate;
- our strategies, plans, objectives and goals and our ability to implement such strategies, plans, objectives and goals;
- our projects under development;
- our ability to maintain or increase customers;
- our ability to attract and retain senior management and key employees;
- general economic conditions in China;
- our future capital needs and capital expenditure plans;

- changes to regulatory and operating conditions in the industry and markets in which we operate;
- our ability to control costs;
- market opportunities and competitive landscape for our products and services, and the actions and developments of our competitors; and
- certain statement in “Risk Factors,” “Industry Overview,” “Supervision and Regulation,” “Business,” “Financial Information” and “Future Plans and Use of Proceeds” with respect to risks, uncertainties, future events and operations, risk management and market trends.

Any forward-looking statement made by us in this prospectus speaks only as of the date on which it is made. Factors or events that could cause our actual results to differ may emerge from time to time, and it is not possible for us to predict all of them. Subject to the requirements of applicable laws, rules and regulations, we undertake no obligation to update any forward-looking statement, whether as a result of new information, future developments or otherwise. All forward-looking statements contained in this prospectus are qualified by reference to this cautionary statement.

Potential investors should consider carefully all the information set out in this prospectus, and in particular, should evaluate the following risks associated with the investment in our Shares. Any of the risks and uncertainties described below could have a material and adverse effect on our business, results of operations, financial condition or on the trading price of our Shares, and could cause you to lose all or part of your investment.

RISKS RELATED TO OUR BUSINESS AND INDUSTRY

Changes and development in the regulatory environment concerning technology and new economy industries and the finance lease industry could adversely affect the business operations of our customers, thus negatively impacting our own results of operations and financial condition.

We offer finance lease solutions and advisory services primarily to customers in five technology and new economy industries during the Track Record Period: big data, eco-solutions, life sciences & healthcare, intelligent manufacturing, and internet-based products & services. Our customers in these industries are primarily small- to medium-sized companies that are especially vulnerable to changes in the regulatory environment over the industry in which they operate. As a result of the relatively favorable government policies in these five industries during the Track Record Period, our customers in these industries experienced significant growth, leading to their increasing demands for funding to support their business expansions. Our finance lease solutions and advisory services further fueled the growth of our customers by offering funding support.

However, we cannot guarantee that the regulatory environment over the industries in which our customers operate, and particularly these five industries, will remain favorable in the future. The government could reduce the amount of tax or policy incentives available to players in these industries, and may even introduce laws and regulations discouraging the further development and expansion of certain of these industries. Such material and adverse changes could lead to significant industry-wide decline, or even the disappearance of certain industries. If any of the above happens to one or more of the industries in which our customers operate, our customers' business operations and expansions could be materially and adversely affected, leading to significant decline in their need for finance lease solutions and related advisory services. Our results of operations and financial condition could in turn be materially and adversely affected as a result.

In May 2018, MOFCOM issued notifications which transferred the duty of making regulations concerning the business operations of finance lease companies to the China Banking and Insurance Regulatory Commission (the "CBIRC"). While the CBIRC has not promulgated any rules or regulations with national applicability, local finance industry regulatory authorities in several cities, such as Tianjin and Shanghai, have introduced rules and regulations on finance lease companies with local applicability. Local finance industry regulatory authorities in Beijing have not introduced similar rules or regulations as of the Latest Practicable Date. We cannot guarantee, however, that Beijing will not introduce regulations that limit our business operations and expansions in the future. Neither can we assure you that the government will not withdraw historical support and favorable policies on the finance lease industry, which could materially and adversely affect our results of operations and financial condition.

Changes and development in the economic environment concerning technology and new economy industries could adversely affect the business operations of our customers, thus negatively impacting our own results of operations and financial condition.

In addition to development in regulatory environment concerning the five industries we primarily serve, namely big data, eco-solutions, life sciences & healthcare, intelligent manufacturing, and internet-based products & services, economic volatility in the industries in which our customers operate, and particularly these five industries, may also lead to fluctuations in our customers' business development, financial performance and liquidity position. We serve a large number of small- to medium-sized companies, which are vulnerable to macroeconomic or industry-wide depressions because they usually do not have the necessary resources to survive. Although some market participants are more resilient than others due to advantages in technological capabilities and industry positions, we cannot guarantee that all of our customers have those advantages. If a noticeable number of our customers go out of business as a result of economic depressions, our business operations, results of operations and financial condition could be materially and adversely affected.

According to the F&S Report, the market trends for China's technology and new economy industries include development of cutting-edge technologies, preferential tax policies, urban developments, and availability of abundant talented human resources. These market trends are expected to drive the industries' future growth, according to the F&S Report. However, we cannot guarantee that these trends will materialize. In particular, we cannot guarantee that future technological advancements will be as cutting-edge as currently expected. As a finance lease company serving technology and new economy companies, we are subject to risks associated with operating in the rapidly evolving industries whose development is heavily dependent on the emergence and development of new technologies. For many of our finance lease projects, the leased assets are equipment, terminals and machines that support the research, development, testing, implementation and maintenance of new technologies. We cannot assure you that the new technologies supported by the leased assets will materialize and will not become obsolete. If such technologies become outdated or obsolete, or if these technologies fail to generate the expected economic benefits or returns, the value of the supporting leased assets could deteriorate, thus materially adversely affecting their book values and our ability to recover in case of default. Our business operations, results of operations and financial condition could therefore be materially and adversely affected. Nor can we guarantee that tax policies for technology and new economy industries will remain or become more favorable, that urban development will thrive as currently planned and anticipated, or that human resources with skills and qualifications will continue to grow. Unfavorable or unsatisfactory development in any of the abovementioned market trends could materially adversely affect our customers' business operations, thus negatively impacting our own results of operations and financial condition.

Even if our customers outlive macroeconomic depressions, our results of operations and financial condition could still be materially and adversely affected because our customers may decide against further business expansion in order to avoid unnecessary risks during difficult times, which reduces their need for funding, making it harder for us to renew lease agreements with our existing customers or initiate business relationships with new ones. Our customers' default risks may also increase during macroeconomic depressions, causing potential impairments to our finance lease receivables, and liquidity issues. See "—Lessees' ability to pay could deteriorate due to reasons beyond our control, which could have a material adverse impact on our results of operations and financial condition."

We have a limited operating history, which makes it difficult to predict and evaluate our future business prospects, results of operations and financial condition.

Our Company was established in 2012 and we have a relatively short operating history in China's technology and new economy finance lease industry. Our limited history of operations may not serve as an adequate basis for evaluating our future business prospects, results of operations and financial condition. We began offering finance lease solutions in 2013. During the Track Record Period, our revenue grew from RMB318.0 million in 2016 to RMB412.8 million in 2018, and from RMB180.9 million in the six months ended June 30, 2018 to RMB250.1 million in the six months ended June 30, 2019. Our carrying amount of finance lease receivables increased from RMB4,109.1 million as of December 31, 2016 to RMB5,659.4 million as of June 30, 2019. However, we cannot assure you that we will continue our past growth rates in terms of revenues, as our relatively short operating history in China's technology and new economy finance lease industry and the fact that we have not experienced an economic downturn may give rise to uncertainty in our collection of finance lease receivables in the future and make it difficult to evaluate our future business prospects, results of operations and financial condition.

We have faced, and expect to continue to face, risks and uncertainties that are common to companies with relatively short operating histories. Such risks and uncertainties may prevent us from successfully implementing our growth strategies and capturing the growth in China's technology and new economy industries, which could lead to deviation of our future business and financial performances from our historical performance during the Track Record Period.

Lessees' ability to pay could deteriorate due to reasons beyond our control, which could have a material adverse impact on our results of operations and financial condition.

Our customers' abilities to make timely periodic lease payments pursuant to the lease agreements depend on various micro-economic and macro-economic factors beyond our control. On a macro-economic and policy level, unfavorable changes in laws, regulations and governmental economic policies could lead to operational hardships for our customers, negatively impacting their results of operations and liquidity positions. On a micro-economic level, our customers may experience operational difficulties due to their failure to execute appropriate strategies or to closely follow industry trends. Consequently, the business operations of our customers may deteriorate, which could cause them to default on their periodic lease payments to us. Increased customer default on lease payments negatively impacts our cash flow generated from operating activities and our liquidity positions, and also trigger impairments to our lease receivable assets. In addition, interruptions in customers' lease payment could impair our ability to make payments pursuant to our own payment obligations towards our funding partners, which could materially and adversely affect our results of operations and financial condition. See "Business—Funding Sources."

We may not be able to repay our debts, and we may incur more debts.

We expect to continue to maintain a significant level of indebtedness. As of December 31, 2016, 2017 and 2018, and June 30, 2019, our risk asset-to-equity ratio (risk assets are the total assets net of cash and cash equivalents and pledged and restricted deposits) was 694.1%, 387.6%, 437.6% and 441.7% respectively. Our current and non-current borrowing balance was RMB3,043.3 million, RMB2,612.3 million, RMB3,319.7 million and RMB3,600.4 million as of December 31, 2016, 2017 and 2018 and June 30, 2019, respectively. We may not be able to satisfy our payment obligations due to several reasons, including (1) our customers' failure to pay us timely, (2) our cash management becomes faulty, and (3) a general decline in our business volume and operations. Our creditors also have the right to require further security or collateral if the value of the existing collateral declines. If any of the abovementioned events happens, we may not be able to fully perform our obligations under the agreements, and may incur penalty costs or damages to our liquidity position, which could materially and adversely affect our results of operations and financial condition. Furthermore, failure to repay debts may negatively affect our credit ratings, which will cause our financing costs to increase and weaken our fundraising capabilities, further affecting our liquidity position and financial condition.

We may incur additional indebtedness in the future. We require a portion of our cash flows from operation to be dedicated to interest and principal payments, which are therefore not available to fund our operations, working capital, capital expenditures, expansion, acquisitions or general corporate purposes. In 2016, 2017, 2018 and the six months ended June 30, 2018 and 2019, our interest expenses were RMB146.9 million, RMB155.1 million, RMB168.0 million, RMB75.9 million and RMB105.6 million, respectively. In order to meet our current debt commitments, and to maintain an adequate level of unrestricted cash to properly fund our operations and expansion, we may need to raise additional funds by obtaining additional financing facilities from banks or other financial institutions. Our inability to raise such funds may materially and adversely affect our financial condition and growth prospects. See "—We may not be able to maintain a sufficient level of liquidity necessary to meet our operational needs."

We may not be able to successfully compete with our competitors, which could have a material adverse impact on our results of operations and financial condition.

China's finance lease industry has grown rapidly during the Track Record Period, and is becoming increasingly competitive. According to F&S Report, there were more than 11,000 finance lease companies in China as of December 31, 2018. We believe we currently enjoy competitive advantages in the industries and the geographical areas we serve. As we establish business relationships with customers from more industries and geographical areas, however, we will enter into competition with more finance lease companies. These new competitors may enjoy superior management and operational experience, technology, financial resources, customer network and relations and risk tolerance levels than we do. As a result, we cannot guarantee that we will maintain our competitive position as we tap into more industries and markets. If we cannot successfully compete, our financial condition and results of operations may be adversely affected.

Fluctuations in market interest rate may negatively affect our cost of funding and revenue, which could have a material adverse impact on our results of operations and financial condition.

We generate a substantial amount of our revenue from our finance lease business in the form of interest income, which is directly dependent on the interest rate we charge pursuant to the lease agreements. Meanwhile, fluctuations in interest rates also affect our interest expenses in relations to our funding from commercial banks and our entrusted loans from our Controlling Shareholders and their subsidiaries. The fluctuations of market interest rate could affect the yield of our interest-bearing lease receivables and the average cost of our bank borrowings and other interest-bearing liabilities to various extents. If changes in our cost of funding exceeds changes in our interest income from lease receivables as a result of interest rate fluctuations, our results of operations and financial condition could be materially and adversely affected.

Neither can we assure you that we will be able to effectively hedge our interest rate risks through interest rate swaps or other forms of derivatives, nor that we can effectively eliminate or mitigate the abovementioned interest rate risks through other means.

We historically recorded negative cash flows from operating activities. We cannot assure you that this will not occur in the future.

In 2016, 2018 and the six months ended June 30, 2018 and 2019, our net cash used in operating activities were RMB444.1 million, RMB542.0 million, RMB126.8 million and RMB109.0 million, respectively. The net cash outflow was mainly attributable to the sustained increases in interest-earning assets (primarily consisting of finance lease receivables) as a result of our continued business growth. See "Financial Information—Liquidity and Capital Resources—Cash Flow—Operating activities." We cannot assure you that we will not record negative cash flows from operating activities in the future, in which case our working capital may be limited and our business, financial condition, results of operations and prospects may be adversely affected.

We may not be able to maintain a sufficient level of liquidity necessary to meet our operational needs.

We operate a capital intensive business which requires a large amount of working capital and stable funding sources to support our routine business operations. During the Track Record Period, our primary sources of funding include borrowings from commercial banks, and issuance of asset-backed securities, and borrowings from our Controlling Shareholders. See "Business—Funding Sources." As we plan to reduce the proportion of borrowings from our Controlling Shareholders, it is increasingly critical that we maintain stable working relationships with third-party funding sources and reach funding arrangements on commercially acceptable terms. We must also be able to obtain additional funding sources when our existing funding partners cannot supply sufficient cash to satisfy our business expansions. If we fail to secure sufficient funding on commercially reasonable terms, our business expansions might be impeded, and our results of operations could be materially and adversely affected.

In addition, our credit ratings may also deteriorate, which could lead to increased financing costs, or even terminations of funding relationships with certain partners. According to Brilliance Credit Rating, our credit rating as of May 2018 was AA. However, we cannot assure you that we will be able to maintain that credit rating going forward. If our credit rating is downgraded or withdrawn, or if we cannot improve our credit ratings pursuant to the requirements of our funding partners, our financing capabilities could be impaired, which might materially and adversely affect our results of operations.

Our inability to maintain our asset quality may have a material adverse impact on our business, financial condition and results of operations.

Our sustainable business growth depends significantly on our ability to effectively manage and maintain our asset quality. As of December 31, 2016, 2017 and 2018 and June 30, 2019, the balance of our NPAs was RMB28.6 million, RMB69.3 million, RMB72.0 million and RMB80.7 million, respectively, and our NPA ratio was 0.7%, 1.5%, 1.3% and 1.4%, respectively.

Our asset quality may deteriorate due to various factors, some of which are beyond our control. These factors include a slowdown in the PRC or global economic growth, the occurrence of a global credit crisis, or other adverse market trends. In respect of financial leasing business, any significant changes in our lessees' industries may adversely affect their operations, financial condition and cash flows, which may affect their ability to perform their payment obligations in a timely manner and may lead to default of the lessees. Other factors that may affect our lessees' financial condition and cash flows include the following:

- an increase in operating costs;
- labor shortage;
- fluctuations in interest rates and an increase in financing costs;
- ability of the lessee to obtain other financial support;
- economic conditions and currency fluctuations in countries and regions where the lessee's business operates;
- competition in the industries where our lessees operate;
- government regulations and related fees that impact the lessees' business; and
- geopolitical and other events, including the outbreak of war, terrorist acts, infectious diseases and natural disasters.

Overdue finance lease receivables have affected our asset quality and we may have to make more provisions for them based on the loss that could incur, which may in turn adversely affect our financial condition and results of operations. We take various measures to recover our credit assets at risk and will continue to implement and enhance our risk management policies, procedures and tolls to maintain a low NPA ratio. However, our measures may not be as effective as we anticipate. If we are unable to maintain our asset quality, our business, financial condition and results of operations may be materially and adversely affected.

We may not be able to effectively control or dispose of leased assets.

The leased assets of the majority of our finance leases are moveable properties. For a small portion of our finance leases, we accept real properties as leased assets. We typically adopt several measures to announce our ownership rights over leased assets. For example, we typically register our leases at the Credit Reference Center of the PBOC, or make clear marks on the lease properties. For real properties, we typically require lessees to transfer title to the real properties to us. Before such transfer is complete, we typically require the lessees to offer the real properties as collaterals, and register the collaterals with relevant authorities. However, there may be negative impact on us if we do not timely and properly execute the abovementioned measures or other actions. If lessees of those leased assets breach their payment obligations, we may be subject to high credit risks. If we are unable to reclaim actual control or possession of the leased assets, we may be forced to write off such assets on our balance sheet and recognize losses, which could materially and adversely affect our business operations, results of operations and financial condition.

Mismatch in maturity profile of our assets and liabilities will impact our liquidity position, debt repayment and financing capabilities, which could have a material and adverse impact on our business operations, results of operations and financial condition.

We closely monitor the maturity profile of our lease receivables and our debt obligations to manage our liquidity position. From customers, we receive periodic lease payments arising out of our lease receivables; to our creditors and other funding partners, we make periodic interest payments arising out of our debt obligations. Failure to match our interest payments with sufficient cash inflow from our customers in the form of lease payments may lead to shortfall in liquidity, which could impede our ability to grow our business and enter into additional lease agreements with customers. Shortfall in liquidity could also mean that we might not be able to make timely interest payments, which could deteriorate the relationships with our funding partners and prompt them to decide to accelerate our debt or terminate the business relationships. Thus, if we fail to match the maturity profile of our lease receivable assets with our debt obligations, our fundraising capabilities and liquidity position will be materially and adversely affected.

Our allowance for impairment losses may not be adequate to cover future credit losses.

We make allowance for impairment losses on finance lease receivables and credit commitment in accordance with IFRS. As of December 31, 2016, 2017 and 2018 and June 30, 2019, the aggregate amount of our allowance for impairment losses of finance lease receivables was RMB56.5 million, RMB81.8 million, RMB108.9 million and RMB125.4 million, respectively, representing 1.4%, 1.8%, 2.0% and 2.2% of our net finance lease receivables, respectively. The amount of impairment losses charged in relation to our finance lease receivables in 2016, 2017, 2018 and six months ended June 30, 2019 was RMB23.9 million, RMB25.3 million, RMB27.0 million and RMB16.5 million, respectively. For details, see note 16(b) to the Accountants' Report included in Appendix I to this prospectus.

We determine the amount of allowance for impairment losses based on our internal procedures and guidelines, which take into account of a number of factors, such as the nature and creditworthiness of our lessees and specific characteristics of industries where our lessees operate, economic condition and trend, delinquencies, and the value of the underlying collateral and guarantees. See note 2 to the Accountants' Report included in Appendix I to this prospectus. The determination of impairment of financial instruments involves accounting judgment and estimates, and the expected credit losses are a probability-weighted estimate of credit losses. Our allowance may prove to be inadequate if unforeseen or adverse changes occur in China's economy, or if other events adversely affect specific customers and the industries or markets where they operate. Under such circumstances, we may need to make additional allowances, which could significantly reduce our profit and may materially and adversely affect our business, financial condition and results of operations.

We may not be able to maintain our historical growth rates in the future.

Our total revenue and net finance lease receivables grew rapidly during the Track Record Period. In 2016, 2017 and 2018, our total revenue was RMB318.0 million, RMB358.6 million, and RMB412.8 million, respectively, representing a CAGR of 13.9%, and increased from RMB180.9 million in the six months ended June 30, 2018 to RMB250.1 million in the six months ended June 30, 2019, representing a 38.2% increase. The net amount of our finance lease receivables was RMB4,165.6 million, RMB4,503.0 million and RMB5,485.6 million as of December 31, 2016, 2017, and 2018, respectively, representing a CAGR of 14.8%, and further increased by 5.3% to RMB5,784.8 million as of June 30, 2019. We may not be able to continue to grow if we are not able to expand our product and service offerings to attract new customers, improve our marketing strategies, or broaden our distribution channels. Our ability to maintain business growth is highly dependent on various factors beyond our control, including the economic growth, interest rate, development of finance lease industry, as well as changes in laws, regulations and rules applicable to the finance lease industry in China. Any unfavorable change in the factors above may prevent us from maintaining our historical growth rate.

We plan to continue to invest substantial financial, management and operational resources to sustain our growth. However, we cannot assure you that we will be able to continually obtain these resources in the future. For instance, we may not be able to obtain additional internal and external capital to support our business growth on commercially acceptable terms, or to retain and attract sufficient number of competent staff to support our business development. See "—We may not be able to maintain a sufficient level of liquidity necessary to meet our operational needs" and "—We may fail to retain members of our senior management team and certain key employees who play a crucial role in ensuring the smooth operations of our business. We may also fail to attract qualified and experienced talents to join us."

The value of leased assets and credit enhancement measures underlying our leases may not be sufficient or fully realizable.

In addition to our ownership in the leased assets, we require certain lessees to provide additional credit enhancement measures such as obtaining liens on customers' revenue, trade receivables and shares. The value of the leased assets and other credit enhancement measures may decline significantly, or even decline to a level below the outstanding principal of and interests due to various factors, such as damage, loss, oversupply, devaluation or shrinking market demand. If the value of the leased assets and other credit enhancement measures is insufficient to cover the finance lease receivables, we may require our customers to provide additional security. However, we cannot assure you that we could always obtain such additional security. Decline in the value of the leased assets and other credit enhancement measures or our inability to obtain additional security when necessary may force us to make additional provision for impairment allowances for finance lease receivables, which may materially and adversely affect our asset quality, financial condition or results of operations.

Furthermore, the procedures for liquidating or otherwise realizing the value of non-monetary assets may be protracted, and it may be difficult to enforce claims in respect of such leased assets. Under relevant laws and regulations, our rights to the leased assets securing our loans may be subordinated to certain third-party rights under certain circumstances, and thus preventing us from recovering all or part of the principal of and interest on the leases. If we fail to realize the value of the leased assets and other credit enhancement measures, our asset quality, financial condition or results of operations may be materially and adversely affected.

We may be exposed to unknown risks as we expand into new businesses, industries and regions.

During the Track Record Period, we primarily focused on developing business relationships with technology and new economy companies. Geographically, we primarily serve customers in Beijing and its surrounding regions. While we intend to continue to maintain our strong ties to these customers, we expect to expand our business scope to cover customers from other industries and regions. We also contemplate introducing new finance lease features and functionalities to better satisfy the needs of our increasingly diverse customer base. As we expand our customer base and service offerings, we may become exposed to unknown and unexpected risks due to our inexperience in those industries, regions or business models. We cannot guarantee that we will be able to overcome such risks and successfully execute our growth strategies with regards to customers in these industries. Our failure to accurately predict and handle such risks could materially and adversely affect our results of operations and financial condition.

The fair value measurements of certain financial assets at fair value through profit and loss require the use of estimates that are based on unobservable inputs, which inherently involves a certain degree of uncertainty.

As of December 31, 2016, our level 3 financial assets at fair value through profit and loss consisted of our investment in wealth management products. Our management determines the fair value of our level 3 investment using discounted cash flow approach that incorporated unobservable inputs of risk adjusted discount rate. See note 24(d) to the Accountants' Report included in Appendix I to this prospectus for more information about the fair value measurement of our level 3 financial assets at fair value through profit or loss. Changes in these unobservable inputs will affect the estimated fair value of our level 3 financial assets at fair value through profit or loss, which leads to uncertainty in accounting estimation. A range of factors, many of which are beyond our control, may influence and cause adverse changes to the estimates we use and thereby affect the fair value of these assets. These factors include, but are not limited to, general economic condition, change in market interest rates and stability of the capital markets. Any of these factors, as well as other, could cause our estimates to vary from actually results and cause the fair value of our financial assets at fair value through profit or loss to fluctuate substantially. A substantial decrease in the fair value of our financial assets at fair value through profit or loss may have an adverse effect on our financial position and as well as our results of operations if we hold any financial assets at fair value through profit and loss in the future.

We could be exposed to risks related to our involvements in certain equity investment funds.

We hold minority interest in equity investment funds in collaboration with professional investment institutions. Such equity funds may invest in certain technology and new economy companies and acquire minority interests therein, exposing us to risks related to such equity investments. For example, these equity investment funds may make unsound investment decisions which could lead to decrease in the value of our investments and our inability to recover our investments. This could lead to negative impacts on our results of operations and financial condition.

We cannot guarantee that our cost control strategies and measures will be continually and effectively executed in the future and achieve their expected effects.

In 2016, 2017, 2018 and the six months ended June 30, 2019, our net profit margin was 26.0%, 27.2%, 28.8% and 29.7%, respectively. During the Track Record Period, we continually sought to improve the allocation of financial resources through various cost control measures. However, we cannot guarantee that such measures will continue to be effectively executed in the future, or that we can continue to maintain or increase our net profit margin in the future. In addition, we may be required to adjust the relevant cost control strategies and measures in response to the changes in economic condition and business development needs. If such control strategies and measures fail to achieve their expected effects, our operating costs may increase, which in turn may adversely affect our results of operations and financial condition.

Our existing risk management tools may be inadequate to protect us against various risks.

We currently have a rigorous risk management in place to manage the risks involved in our business, especially credit risks and liquidity risks. See "Risk Management." As the macro-economic condition and the regulatory environment evolve, and as we expand our business scope in terms of service offering and industry coverage, we cannot guarantee that our risk management tools will remain adequate to protect us from various risks to which we are exposed.

Proper functioning of our risk management systems rely on the accurate input of information and technologies. We may not be able to obtain all necessary information to make an informed and accurate assessment of the risks involved in a particular project, especially due to the less advanced credit reporting system in China. As certain risk management systems rely on historical data to predict future customer performance, we cannot guarantee that such predictions will be accurate because customers' future performance pattern may deviate from their historical data. We also rely on skilled employees and our IT systems to carry out the risk management activities. We cannot guarantee that our employees will consistently or satisfactorily comply with established rules and protocols, or that our IT systems, especially our lease business operation system, will function the way they should. If we cannot ensure the smooth operations of our risk management systems for any abovementioned reasons, or if we fail to improve and update our risk management systems in light of potential future industry development, our asset and customer quality, liquidity position, results of operations and financial condition may be materially and adversely affected.

We face risks related to the changes in IFRS.

We have consistently applied IFRS 9 *Financial Instruments* during the Track Record Period. IFRS 9 introduces new requirements regarding (1) the classification and measurement of financial assets and financial liabilities; (2) expected credit losses ("ECL"), a new impairment model for financial assets, lease receivables and other items subject to ECL assessment; and (3) general hedge accounting.

The application of IFRS 9 in lieu of IAS 39 has impacted key items on our consolidated statements of profit or loss and consolidated statements of financial position. For example, based on our initial assessment, had IAS 39 been applied instead of IFRS 9 throughout the Track Record Period, our finance lease receivables as of December 31, 2016, 2017 and 2018 and June 30, 2019 would have decreased by RMB18.9 million, RMB13.5 million, RMB25.8 million and RMB38.1 million, respectively, and our net assets as of the same dates would have decreased by RMB14.4 million, RMB10.9 million, RMB20.4 million and RMB28.9 million, respectively. For more information of our initial assessment of the impact of IFRS 9, see "Financial Information—Basis of Presentation." Further changes in IFRS in the future are beyond our control, and may affect our accounting policies, financial condition and results of operations.

We are subject to risk of recoverability of deductible value-added tax.

We had deductible value-added tax of RMB163.5 million, RMB169.5 million, RMB148.3 million and RMB116.4 million as of December 31, 2016, 2017 and 2018 and June 30, 2019, respectively. The amount of input value-added taxes and output value-added taxes are determined by the applicable value-added tax rate in effect during the period when the purchase from vendor and the periodic lease payments are made. While the deductible value-added tax may enable us to reduce future tax payment, our deductible value-added tax may also pose risk to us as its recoverability is dependent on the recoverability of lease payments and then applicable value added tax rate in effect.

There is no assurance that the deductible value-added tax can be recovered. In the case of lack of lease payments or adjustment of applicable value-added tax rate in effect, the output value-added tax may continue to be in shortfall in the future, and we may have to write-down the deductible value-added tax, which may significantly affect our financial condition.

The amount of our deferred tax assets is subject to the uncertainties of accounting estimates.

In the application of our accounting policies, our management is required to make judgments, estimates and assumptions about the carrying amounts of certain assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Therefore, actual results may differ from these accounting estimates. We believe that the amount of our deferred tax assets is subject to the uncertainties of accounting estimates and therefore warrant particular attention.

As of December 31, 2016, 2017 and 2018 and June 30, 2019, our deferred tax assets amounted to RMB25.7 million, RMB31.1 million, RMB36.2 million and RMB35.5 million, respectively. Based on our accounting policies, all deferred tax assets, to the extent that it is probable that future taxable profits will be available against which the asset can be utilized, are recognized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. If our actual or expected tax position in future are different from the original estimates, the value of our deferred tax assets and liabilities and income tax charge could be affected in the period in which such estimates are changed.

Our IT systems play a critical role in our business operations. Failures to maintain the proper functioning of our IT systems may adversely affect our business operations.

Our business operation is dependent on the ability of our IT systems, especially our lease business operation system and financial reporting system, to process and store large numbers of transactions and information in an accurate, reliable and efficient manner. Such IT systems cover all aspects of our business operation including financial control, risk management, accounting and customer services. The proper functioning of such system is critical to maintain our business operation and enhance our competitiveness. See "Business—Information Technology." However, our business operation may be disrupted if any of our IT systems partially or completely fail due to, among other things, fire, natural disasters, power loss, software faults, conversion errors due to system upgrades, or security breaches. We may not be able to develop and update our IT systems to timely respond to changes and development in the finance lease industry and our customers, thus adversely affect our results of operations and reputation.

We may fail to retain members of our senior management team and certain key employees who play a crucial role in ensuring the smooth operations of our business. We may also fail to attract qualified and experienced talents to join us.

Most of our senior management team members and certain key employees in our functional teams are experienced in the finance lease industry. They are critical to the success and smooth operation of our business as their business relationships with our customers and other parties, such as equipment manufacturers and financial institutions, are important to us. However, we cannot assure you that we will not lose their services due to reasons within or beyond our control. The loss of their services could impair our ability to operate and make it difficult to implement our business and growth strategies. In addition, we may fail to attract suitable candidates within reasonable time to replace the senior management members who left their positions.

Our continued success also depends on our ability to attract and retain qualified personnel to manage our existing operations and future growth. We may not be able to successfully attract, assimilate or retain all the personnel we need with the required industry expertise. We may also need to offer higher compensation and other benefits to attract and retain key personnel and therefore cannot assure you that our compensation and benefits payments will not increase unpredictably or at a greater rate than our revenue. Our failure to attract and retain qualified personnel and any increase in staffing costs to retain such personnel could have a negative impact on our ability to maintain our competitive position and grow our business, and may also have a material adverse effect on our financial condition, results of operations and growth prospects.

We may not be able to detect and prevent fraud or other misconduct committed by our employees or third parties.

Fraud or other misconduct committed by third parties or our employees, such as unauthorized business transactions and breaches of our internal policies and procedures may be difficult to detect and prevent, and we could be subject to financial loss or sanctions from government authorities, which could harm our reputation. Our risk management systems, information technology systems and internal control procedures are designed to monitor our operations and overall compliance. However, we cannot assure you that we will be able to identify non-compliance or suspicious transactions in a timely manner or at all. Furthermore, it is not always possible to detect and prevent fraud or other misconduct and the precautions we take to prevent and detect such activities may not be effective, and hence, there exists the risk that fraud or other misconduct may have previously occurred by was undetected, or may occur in the future. This may have a material adverse effect on our results of operations and financial condition.

Failure to obtain, renew, or retain licenses, permits or approvals necessary for our business or failure to comply with applicable laws and regulations may adversely impact our business operations.

We are required to hold various licenses, permits and approvals issued by relevant regulatory authorities necessary for our businesses. See "Business—Licenses, Permits and Approvals." Failure to obtain, renew or retain such licenses, permits or approvals may affect our ability to conduct our business. If we fail to comply with applicable laws and regulations, the relevant regulatory authorities may revoke our licenses, permits or approvals, request us to take remedial actions, and/or impose fines or other regulatory measures on us, any of which may have an adverse effect on our business and results of operations. In addition, the licensing requirements of the finance lease industry in China are evolving, and we may be subject to more stringent regulatory requirements in the future. We cannot assure you that we will be able to comply with these requirements; if we fail to do so, our business may be disrupted and our results of operations and financial condition may be materially and adversely affected.

We may not have adequate insurance coverage to cover potential liabilities or losses.

We require our customers to maintain sufficient insurance policies on the leased assets throughout the lease terms and designate us as the sole or top priority beneficiary. However, due to the limitation on insurance for assets underlying leases according to the PRC laws and many other reasons, insurance may not be available for all leased assets, and the insurance indemnity may not be sufficient to compensate our losses arising from the damage or loss to leased assets. In particular, according to the PRC laws, lessees may only be required to compensate the lessors after taking into consideration of the depreciation of the leased assets and shall not be obliged to make lease payments in full in the event that the lease contracts have been terminated due to damage to or loss of the leased assets as a result of force majeure or other reasons that are not caused by the lessees. If the leased assets are damaged or lost due to the foregoing reasons which result in termination of the relevant finance lease agreement, we may be forced to assume losses to the extent our insurance coverage is inadequate. Any uninsured loss could materially and adversely affect our results of operations and financial condition.

We may not continue to enjoy certain government grants in the future.

We currently enjoy certain government grants, which may be discontinued in the future. The government grants we received in 2016, 2017, 2018 and the six months ended June 30, 2019 amounted to RMB5.0 million, RMB5.0 million, RMB12.8 million and RMB11.5 million. During the Track Record Period, government grants that we received consisted primarily of the fiscal support funds that local governments offer to enterprises in the financial industry or the finance lease industry. For details, see note 5 to the Accountants' Report included in Appendix I to this prospectus. We cannot assure you that we will be able to continue to receive any such fiscal support funds or refund of value-added tax, and if we are unable to do so, our business, results of operations and financial condition may be adversely affected.

Unfavorable global economic and political conditions may affect our business, financial condition and results of operations.

The United States and China have recently been involved in controversies over trade barriers in China that have threatened a trade war between the countries, and have implemented or proposed to implement tariffs on certain imported products. Sustained tension between the United States and China over trade policies could significantly undermine the stability of the global and China's economy. Although we believe the majority of our customers are not directly affected by the tariffs imposed by China or the United States, an unsettled threat of trade war may nevertheless chill the markets where they operate their businesses. In addition, it is possible that our customers might become affected by the trade disputes between the United States and China in the future. As such, any severe or prolonged slowdown or instability in the global or China's economy arising out of the tensions between the United States and China may materially and adversely affect our business, financial condition and results of operations.

We may be involved in legal proceedings or arbitration claims, and the court ruling or arbitration award may not be favorable to us.

We may be involved in legal proceedings or arbitration claims during the ordinary course of our business. Legal proceedings or arbitration against us are mainly in relation to contract disputes between us and our finance lease customers. We may incur enormous legal costs in defending ourselves in such legal proceedings and arbitration. If the outcomes of these legal proceedings are unfavorable to us, we may be confronted with significant legal liabilities, which may have a material adverse effect on our business, financial condition, results of operations and reputation. We may also bring legal proceedings against others, mainly for the collection of unpaid lease payments. If the outcomes of these proceedings are unfavorable to us, we may waste enormous legal costs incurred in bringing such legal proceedings, and we may have to write off such unpaid receivables and recognize losses, which may have a material adverse effect on our business, financial condition, results of operations and reputation.

RISKS RELATING TO CONDUCTING BUSINESS IN CHINA

Economic, political and social conditions in China and government policies could affect our business and prospects.

A vast majority of our assets are located in China, and all of our revenue is derived from our businesses in China. Accordingly, we mainly rely on the demand in the Chinese market for leasing services to achieve our growth in revenue. The Chinese economy has slowed down after three decades of rapid growth. The economic downturn in China may adversely affect the general demand for leasing services, which in turn may adversely affect our business and development prospects.

In addition, our financial condition, results of operations and prospects are, to a material extent, subject to political and social conditions and government policy developments in China. The Chinese economy differs from the economies of developed countries in many respects, including, among others, the degree of government involvement, control of investment, level of economic development, growth rate, foreign exchange controls and resource allocation. Although the Chinese economy has been transitioning from a planned economy to a more market-oriented economy for more than three decades, a substantial portion of productive assets in China is still owned by the Chinese government and state owned entities. The Chinese government also exercises significant control over the economic growth of China through allocating resources, controlling payments of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. In recent years, the Chinese government has implemented measures emphasizing the utilization of market forces in economic reform, the reduction of state ownership of productive assets and the establishment of sound corporate governance practices in business enterprises. Some of these measures benefit the overall Chinese economy, but may adversely affect us.

The PRC legal system has potential uncertainties that could limit the legal protection available to you.

Chinese laws and regulations govern our operations in China. We and some of our operating subsidiaries are organized under Chinese laws. The Chinese legal system is based on written statutes. Prior court decisions may be cited for reference. Furthermore, Chinese legal provisions are generally interpreted by courts and law enforcement agencies before being applied and enforced. The Chinese government has continually sought to develop and improve legal regimes and made significant progress in the development of laws and regulations regulating commerce and business affairs, such as foreign investment, corporate organization and governance, trading of commerce, taxation and trade. However, as many of these laws and regulations are evolving and the leasing industry in China is developing, there are some uncertainties in the interpretation and enforcement of the Chinese laws and regulations. These uncertainties may adversely affect our business and prospects, may further affect the legal remedies and protections available to investors, and may adversely affect the value of your investment.

Further, our Articles of Association provide that, apart from disputes over the recognition of shareholders or the register of shareholders, disputes among holders of H Shares and ourselves, our Directors, Supervisors or senior management personnel or other Shareholders arising out of our Articles of Association or any rights or obligations conferred or imposed thereupon by the PRC Company Law and related laws and administrative regulations concerning our affairs are to be resolved through arbitration by the China International Economic and Trade Arbitration Commission or the Hong Kong International Arbitration Center. Although these arbitration tribunals apply their own rules of procedures, unless otherwise provided by law, they shall resort to Chinese laws for aforesaid substantive legal matters, and therefore subject the disputes before these tribunals to uncertainties in the PRC legal systems.

Many aspects of our business depend upon receipt of the relevant government authorities' approvals and permits. As the Chinese legal system and leasing industry develop, changes in such laws and regulations, or in their interpretation or enforcement, could materially and adversely affect our business, financial condition and results of operations.

Investors may experience difficulties in effecting service of legal process and enforcing judgments against us and our Directors, Supervisors and management.

We are a company incorporated under the laws of China, and a majority of our assets are located in China. In addition, most of our Directors, Supervisors and executive officers reside within China, and the assets of our Directors, Supervisors and executive officers are likely to be located within China. As a result, it may not be possible to effect service of process within the United States or elsewhere outside China upon our Directors, Supervisors and executive officers, including with respect to matters arising under the US federal securities laws or applicable state securities laws. Moreover, China does not have treaties providing for the reciprocal enforcement of court judgments with Japan, the United States, the United Kingdom or most other western countries. In addition, Hong Kong has no arrangement for the reciprocal enforcement of court judgments with the United States. As a result, recognition and enforcement in the PRC or Hong Kong of judgments of a court in Japan, the United States, the United Kingdom or most other western countries in relation to any matter that is not subject to a binding arbitration provision may be difficult or impossible.

We may be subject to risks related to epidemics, acts of terrorism, wars, or other natural or man-made calamities globally.

A recurrence of Ebola virus disease, Severe Acute Respiratory Syndrome, or other epidemic diseases such as H5N1 bird flu, H1N1 swine flu, Type A H1N1 influenza or Middle East Respiratory Syndrome, especially in the areas where we or our lessees operate, may result in widespread health crises and restrict business activities in the affected areas, which may in turn cause material disruptions to our and our lessees' businesses. Natural disasters such as earthquakes, floods, volcano eruptions, severe weather conditions, or other catastrophic events, may also result in serious economic depression in the affected areas or in China which may severely affect the regions where we or our lessees operate. Our business prospects, financial condition and results of operations may also be materially and adversely affected.

Similarly, acts of terrorism, wars, threats of war, social unrest and the corresponding heightened travel security measures instituted in response to such events, as well as geopolitical uncertainty and international conflict and tension, could affect economic development and construction projects. In turn, there could be a material adverse effect on our business, financial condition and results of operations. In addition, we may not be adequately prepared in terms of contingency planning or have recovery capabilities in place to deal with a major incident or crisis. As a result, our operational continuity may be materially and adversely affected and our reputation may be seriously harmed.

You will be subject to Chinese taxation on dividends received from us and gains from the disposition of our H Shares.

Non-Chinese resident individual holders of H Shares whose names appear on the register of members of H Shares ("Non-Chinese Resident Individual Holders"), are subject to Chinese individual income tax on dividends received from us. Pursuant to the Circular on Questions Concerning the Collection of Individual Income Tax Following the Repeal of Guo Shui Fa [1993] No. 045 (Guo Shui Han [2011] No. 348) (《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)) dated June 28, 2011 and issued by the SAT, the tax rate applicable to dividends paid to Non-Chinese Resident Individual Holders of H Shares varies from 5.0% to 20.0% (usually 10.0%), depending on whether there is any applicable tax treaty between China and the jurisdiction in which the Non-Chinese Resident Individual Holder of H Shares resides, as well as the tax arrangement between China and Hong Kong. Non-Chinese Resident Individual Holders who reside in jurisdictions that have not entered into tax treaties with the PRC are subject to a 20.0% withholding tax on dividends received from us. See "Appendix III—Taxation and Foreign Exchange." In addition, under the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》) and its implementation regulations, Non-Chinese Resident Individual Holders of H Shares are subject to individual income tax at a rate of 20.0% on gains realized upon the sale or other disposition of H Shares. However, pursuant to the Circular Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from Transfer of Shares (《關於個人轉讓股票所得繼續免徵收個人所得稅的通知》) issued by the MOF and the SAT on March 30, 1998, gains of individuals derived from the transfer of listed shares of enterprises may be exempt from individual income tax. Based on our knowledge, as of the Latest Practicable Date, the Chinese tax authorities have not in practice sought to collect individual income tax on such gains. If such tax is collected in the future, the value of such individual holders' investments in H Shares may be materially and adversely affected.

Under the EIT Law and its implementation regulations, a non-Chinese resident enterprise is generally subject to enterprise income tax at a rate of 10.0% with respect to its Chinese-sourced income, including dividends received from a Chinese company and gains derived from the disposition of equity interests in a Chinese company. This rate may be reduced under any special arrangement or applicable treaty between the China and the jurisdiction in which the non-Chinese resident enterprise resides. Pursuant to the Circular on Questions Concerning Withholding of Enterprise Income Tax for Dividends Distributed by Resident Enterprises in China to Non-resident Enterprises Holding H-shares of the Enterprises (Guo

Shui Han [2008] No. 897) (《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繳企業所得税有關問題的通知》(國税函[2008]897號)) promulgated by the SAT on November 6, 2008, we intend to withhold tax at 10.0% from dividends payable to non-Chinese resident enterprise holders of H Shares (including HKSCC Nominees). Non-Chinese resident enterprises that are entitled to be taxed at a reduced rate under an applicable income tax treaty or arrangement will be required to apply to the Chinese tax authorities for a refund of any amount withheld in excess of the applicable treaty rate, and payment of such refund will be subject to the Chinese tax authorities' approval. See "Appendix III—Taxation and Foreign Exchange." There are uncertainties as to the interpretation and implementation of the EIT Law and its implementation rules by the Chinese tax authorities, including whether and how enterprise income tax on gains derived upon the sale or other disposition of H Shares will be collected from non-Chinese resident enterprise holders of H Shares. If such tax is collected in the future, the value of such non-Chinese resident enterprise holders' investments in H Shares may be materially and adversely affected.

Restrictions on the remittance of Renminbi into and out of the PRC and governmental control over currency conversion may limit our ability to pay dividends and other obligations, and affect the value of your investment.

All of our revenue is denominated in Renminbi, which is also our reporting currency. Renminbi is currently not a freely convertible currency. A portion of our cash may be required to be converted into other currencies in order to meet our foreign currency needs, including cash payments on declared dividends, if any, on our H Shares. Under existing foreign exchange regulations of the PRC, following the completion of the Global Offering, we will be able to pay dividends in foreign currencies without prior approval from the SAFE by complying with certain procedural requirements.

However, if the PRC Government were to impose restrictions on access to foreign currencies for current account transactions at its discretion, we might not be able to pay dividends to the holders of our H Shares in foreign currencies. On the other hand, most of the foreign exchange transactions under capital accounts in the PRC continue to be not freely convertible and require the approval of the SAFE. These limitations could affect our ability to obtain foreign currencies through equity financing or to obtain foreign currencies for capital expenditures.

Furthermore, the net proceeds from the Global Offering are expected to be deposited in currencies other than Renminbi until we obtain necessary approvals from relevant PRC regulatory authorities to convert these proceeds into onshore Renminbi. If the net proceeds cannot be converted into onshore Renminbi in a timely manner, our ability to deploy these proceeds efficiently may be affected as we will not be able to invest these proceeds on RMB denominated assets onshore or deploy them in uses onshore where Renminbi is required, which may have a material and adverse effect on our business, financial condition, results of operations and prospects.

Fluctuations in exchange rates of the Renminbi could adversely affect the value of your investment.

Fluctuations in exchange rate of the Renminbi against the US dollar and other foreign currencies are affected by, among other things, the policies of the PRC Government and changes in China's and international political and economic conditions. The proceeds from this Global Offering will be received in Hong Kong Dollars. As a result, any appreciation of the Renminbi against foreign currencies may result in the decrease in the value of our proceeds from this Global Offering. Conversely, any depreciation of the Renminbi may adversely affect the value of, and any dividends payable on, our Shares in foreign currency. In addition, there are limited instruments available for us to reduce our foreign currency risk exposure at reasonable costs. Any of these factors could reduce the value of, and dividends payable on, our Shares in foreign currency terms.

RISKS RELATING TO THE GLOBAL OFFERING

There has been no prior public market for our H Shares, and the liquidity and market price of our H Shares may be volatile.

Prior to the Global Offering, there has been no public market for our H Shares. The Offer Price range for our H Shares was the result of negotiations between us and the Sole Global Coordinator on behalf of the Underwriters, and the Offer Price may differ significantly from the market price for our H Shares following the Global Offering. We have applied for listing of, and permission to deal in, our H Shares on the Stock Exchange. A listing on the Stock Exchange, however, does not guarantee that an active and liquid trading market for our H Shares will develop, or if it does develop, that it will be sustained following the Global Offering or that the market price of our H Shares will not decline following the Global Offering. Furthermore, the market price and trading volume of our H Shares may be volatile. The following factors may affect the trading volume and market price of our H Shares:

- actual or anticipated fluctuations in our operating and financial results, such as turnovers, earnings and cash flow;
- loss of significant customers or material defaults by our lessees;
- news regarding the recruitment or loss of key personnel by us or our competitors;
- announcements of competitive developments, acquisitions or strategic alliances in our industry;
- changes in earnings estimates or recommendations by financial analysts;
- potential litigation or regulatory investigations;

- general market conditions or other developments affecting us or our industry;
- the operating and stock price performance of other companies, other industries and other events or factors beyond our control; and
- the release of lock-up or other transfer restrictions on our outstanding H Shares or sales or perceived sales of additional H Shares by us or other shareholders.

Moreover, the securities market has from time to time experienced significant price and volume fluctuations that were unrelated or not directly related to the operating performance of the underlying companies. For example, the recent political unrest and the ongoing and occasionally violent protests ensuing the Hong Kong Legislative Council's proposed amendments to the Fugitive Offenders Ordinance and the Mutual Legal Assistance in Criminal Matters Ordinance and the relevant developments have apparently impacted market sentiment in the Hong Kong capital market. Hang Seng Indexes have experienced significant fluctuations since July 2019. Such fluctuations, whether caused by market, industry or political factors, may have a material and adverse effect on the market price and trading volume of our H Shares.

Since there will be a gap of several days between pricing and trading of our H Shares, holders of our H Shares are subject to the risk that the price of our H Shares could fall during the period before trading of our H Shares begins.

The Offer Price of our H Shares is expected to be determined on the Price Determination Date. However, our H Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be five Hong Kong business days after the Price Determination Date. As a result, investors may not be able to sell or otherwise deal in our H Shares during that period. Accordingly, holders of our H Shares are subject to the risk that the price of our H Shares could fall before trading begins, as a result of unfavorable market conditions or other adverse developments that could occur between the time of sale and the time trading begins.

Because the Offer Price per Offer Share is higher than the net tangible book value per Share, purchasers of our Offer Shares in the Global Offering will experience immediate dilution.

The Offer Price of our Offer Shares is higher than the net tangible book value per Share immediately prior to the Global Offering. Therefore, purchasers of our Offer Shares in the Global Offering will experience an immediate dilution in pro forma adjusted net tangible assets value and existing Shareholders will receive an increase in the pro forma adjusted net tangible assets per share of their shares. Please refer to Appendix II to this prospectus for details. If we issue additional Shares in the future, purchasers of our Offer Shares may experience further dilution.

Future sales or perceived sales or conversion of substantial amounts of our securities in the public market, including any future public offering in China or conversion of our Domestic Shares into H Shares, could have a material and adverse effect on the prevailing market price of our H Shares and our ability to raise additional capital in the future, or may result in dilution of your shareholdings.

Future sales of substantial amounts of our H Shares or other securities relating to our H Shares in the public market, or the issuance of new H Shares or other securities relating to our H Shares or public offering in China, or the perception that such sales or issuances may occur could all cause a decline in the market price of our H Shares. Future sales, or perceived sales, of substantial amounts of our securities or other securities relating to our H Shares, including part of any future offerings, could also materially and adversely affect the prevailing market price of our H Shares and our ability to raise capital in the future at a time and at a price which we deem appropriate.

Our Domestic Shares may be converted into H Shares, and such converted H Shares may be listed or traded on an overseas stock exchange, provided that prior to the conversion and trading of such converted Shares, any requisite internal approval processes shall have been duly completed and the approval from the relevant Chinese regulatory authorities, including the CSRC, shall have been obtained (the "Arrangement"). In addition, such conversion, trading and listing shall in all respects comply with the regulations prescribed by the State Council's securities regulatory authorities and the regulations, requirements and procedures prescribed by the relevant overseas stock exchange. The Arrangement applies only to Domestic Shares. All of our Domestic Shares are subject to the Arrangement and may be converted into H Shares upon the approval of the relevant regulatory authorities, including the CSRC and the Stock Exchange.

Forward-looking statements contained in this prospectus are subject to risks and uncertainties.

This prospectus contains forward-looking statements with respect to our business strategies, operating efficiencies, competitive positions, and growth opportunities for existing operations, plans and objectives of management, certain pro forma information and other matters.

The words "anticipate," "believe," "could," "potential," "continue," "expect," "intend," "may," "plan," "seek," "will," "would," "should" and the negative of these terms and other similar expressions identify a number of these forward-looking statements. These forward-looking statements, including, among others, those relating to our future business prospects, capital expenditure, cash flows, working capital, liquidity and capital resources are necessary estimates reflecting the best judgment of our Directors and management and involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements. As a consequence, these forward-looking statements should be considered in light of various important factors, including those set out in "Risk Factors" in this prospectus. Accordingly, such statements are not a guarantee of future performance and you should not place undue reliance on any forward-looking information. All forward-looking statements in this prospectus are qualified by reference to this cautionary statement.

Certain facts and statistics derived from government and third-party sources contained in this prospectus may not be reliable.

We have derived certain facts and other statistics in this prospectus, particularly those relating to the PRC, the PRC economy and the industry in which we operate, from information provided by the PRC and other government agencies, industry associations, independent research institutes or other third-party sources. While we have taken reasonable care in the reproduction of the information, it has not been prepared or independently verified by us, the Underwriter or any of our or their respective affiliates or advisors. Therefore, we cannot assure you of the accuracy and reliability of such facts and statistics, which may not be consistent with other information compiled inside or outside China. The facts and other statistics include the facts and statistics included in the sections entitled “Risk Factors,” “Industry Overview” and “Business.” Due to possibly flawed or ineffective collection methods or discrepancies between the published information and market practice and other problems, the statistics herein may be inaccurate or may not be comparable to statistics produced for other economies and you should not place undue reliance on them. Furthermore, we cannot assure you that they are stated or compiled on the same basis, or with the same degree of accuracy, as the similar statistics presented elsewhere. In all cases, you should consider carefully how much weight or importance you should attach to or place on such facts or statistics.

You should read the entire prospectus carefully and we strongly caution you not to place any reliance on any information contained in press articles and other media regarding us and the Global Offering.

Prior to the publication of this prospectus, there has been and there may also be, subsequent to the date of this prospectus but prior to the completion of the Global Offering, press and media coverage regarding us, our business, our industries and the Global Offering, which contained, among other things, certain financial information, projections, valuations and other forward-looking information about us and the Global Offering. We have not authorized the disclosure of any such information in the press or media and do not accept responsibility for the accuracy or completeness of such press articles or other media coverage. We make no representation as to the appropriateness, accuracy, completeness or reliability of any of such projections, valuations or other forward-looking information about us. To the extent such statements are inconsistent with, or conflict with, the information contained in this prospectus, we disclaim responsibility for them. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of the information contained in this prospectus only and should not rely on any other information.

In preparation for the Global Offering, we have applied to the Stock Exchange for the following waivers from strict compliance with the relevant provisions of the Listing Rules:

MANAGEMENT PRESENCES

Pursuant to Rules 8.12 and 19A.15 of the Listing Rules, our Company must have sufficient management presences in Hong Kong. This normally means that at least two of our executive Directors must be ordinarily residents in Hong Kong. As of the Latest Practicable Date, our Company has two executive Directors both of whom currently reside in the PRC. Our headquarters and business operations are principally located, managed and conducted in the PRC. As the executive Directors play very important roles in managing and supervising our daily business operations, it would be more efficient and in our best interests for them to be based in the places where our Group has significant operations. Relocation of the executive Directors to Hong Kong will be unduly burdensome for our Company. In addition, it is not in our or our shareholders' interests to appoint additional executive Directors who are ordinarily residents in Hong Kong for the sole purpose of satisfying the management presences requirements. Therefore, our Company currently does not, and in the foreseeable future will not, have executive Directors who are ordinarily residents in Hong Kong.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with Rules 8.12 and 19A.15 of the Listing Rules, subject to the following conditions to maintain regular and effective communication between the Stock Exchange and us:

- we have appointed Mr. Rongfeng He, our executive Director and general manager, and Mr. Wei Gao, board secretary, company secretary and the head of finance team of our Company, as our authorized representatives and they will serve as our Company's principal channel of communication with the Stock Exchange. Although Mr. Rongfeng He and Mr. Wei Gao reside in the PRC, both of them either possess, or can apply for, valid travel documents to visit Hong Kong within a reasonably short period of time. Each of them will be readily contactable by the Stock Exchange through mobiles, telephones, facsimiles or emails and will be readily available to meet with the Stock Exchange in Hong Kong within a reasonable period of time upon request;

- we have provided to the authorized representatives of our Company and the Stock Exchange with the contact details of each Director, including mobile phone numbers, office phone numbers, email addresses and, where available, fax numbers. Both of our authorized representatives have means to contact all of the Directors (including the independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact the Directors for any reason;

- each of the Directors who is not ordinarily resident in Hong Kong either possesses, or can apply for valid travel documents to visit Hong Kong to meet with the Stock Exchange within a reasonable period of time upon request by the Stock Exchange;

- we have appointed Guotai Junan Capital Limited as our compliance advisor. The compliance advisor will serve as an additional channel of communication of our Company with the Stock Exchange from the Listing Date to the date when our Company distributes our annual report to our Shareholders for the first full financial year immediately after the Listing;

- our Company will appoint a legal advisor as to the laws of Hong Kong after the Listing to provide advice to us on our continuing compliance with the Listing Rules and other applicable laws and regulations in Hong Kong, or any modification, supplement and other matters; and

- our Company has appointed Mr. Wu Tak Lung (吳德龍) as our independent non-executive Director who ordinarily resides in Hong Kong. Mr. Wu is able to contact all other Directors, who do not ordinarily reside in Hong Kong, by mobiles, telephones, facsimiles or emails at any time.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

We have entered into certain transactions and expect to continue such transactions after the Listing, which would constitute non-exempt continuing connected transactions under the Listing Rules after the Listing. Pursuant to Chapter 14A of the Listing Rules, we have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with the rules regarding the relevant requirements under Chapter 14A of the Listing Rules for such non-exempt continuing connected transactions. Further details of such non-exempt continuing connected transactions and the waiver, see “Connected Transactions.”

DIRECTORS' RESPONSIBILITY STATEMENT

This prospectus, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information with regard to us. The Directors, having made all reasonable inquiries, confirm that to the best of their knowledge and belief the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

CSRC APPROVAL

The CSRC issued its approval on December 2, 2019 for the Global Offering and for the submission of our application to list the H Shares on the Stock Exchange. In granting such approval, the CSRC accepts no responsibility for our financial soundness nor the accuracy of any of the statements made or opinions expressed in this prospectus or in the Application Forms.

INFORMATION ON THE GLOBAL OFFERING

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set forth herein and therein. No person is authorized to give any information in connection with the Global Offering or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorized by us, the Sole Global Coordinator, the Sole Sponsor, the Joint Bookrunners, the Underwriters, any of our or their respective directors, officers, agents, employees or advisors or any other party involved in the Global Offering.

Details of the structure of the Global Offering, including its conditions, are set out in "Structure of the Global Offering" in this prospectus, and the procedures for applying for Hong Kong Public Offer Shares are set out in "How to Apply for Hong Kong Public Offer Shares" in this prospectus and in the relevant Application Forms.

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. For applicants under the Hong Kong Public Offering, this prospectus and the Application Forms set out the terms and conditions of the Hong Kong Public Offering.

The Listing is sponsored by the Sole Sponsor. Pursuant to the Hong Kong Underwriting Agreement, the Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to us and the Sole Global Coordinator (on behalf of the Underwriters) agreeing on the Offer Price. An International Underwriting Agreement relating to the International Offering is expected to be entered into on or around January 14, 2020, subject to the Offer Price being agreed.

If, for any reason, the Offer Price is not agreed among us and the Sole Global Coordinator (on behalf of the Underwriters), the Global Offering will not proceed and will lapse. For further information about the Underwriters and the underwriting arrangements, see "Underwriting."

RESTRICTIONS ON OFFER AND SALE OF THE H SHARES

Each person acquiring the Hong Kong Public Offer Shares under the Hong Kong Public Offering will be required to confirm, or be deemed by his acquisition of Offer Shares to, confirm that he is aware of the restrictions on offers and sales of the Offer Shares described in this prospectus.

No action has been taken to permit a public offering of the Offer Shares or the general distribution of this prospectus and/or the Application Forms in any jurisdiction other than in Hong Kong. Accordingly, this prospectus may not be used for the purposes of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions and pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom. In particular, the H Shares have not been publicly offered or sold, directly or indirectly in the PRC or the United States.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee for the granting of the listing of, and permission to deal in, the H Shares to be issued pursuant to the Global Offering (including the H Shares which may be issued pursuant to the exercise of the Over-allotment Option).

No part of our share or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

OVER-ALLOTMENT OPTION AND STABILIZATION

Details of the arrangements in relation to the Over-allotment Option and stabilization are set out in "Structure of the Global Offering."

REGISTRATION OF SUBSCRIPTION, PURCHASE AND TRANSFER OF H SHARES

Our Company has instructed the H Share Registrar, and the H Share Registrar has agreed, not to register the subscription, purchase or transfer of any H Shares in the name of any particular holder unless the holder delivers a signed form to the H Share Registrar in respect of those H Shares bearing statements to the effect that the holder:

(a) agrees with our Company and each of the Shareholders, and the Company agrees with each Shareholder, to observe and comply with the PRC Company Law, the Special Regulations and the Articles of Association;

(b) agrees with our Company, each of the Shareholders, Directors, Supervisors, managers and officers, and our Company, acting for ourselves and for each of the Directors, Supervisors, managers and officers agree with each Shareholder, to refer all differences and claims arising from the Articles of Association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant laws and administrative regulations concerning the Group's affairs to arbitration in accordance with the Articles of Association, and any reference to arbitration shall be deemed to authorize the arbitration tribunal to conduct hearings in open session and to publish its award, which shall be final and conclusive;

(c) agrees with our Company and each of the Shareholders that the H Shares are freely transferable by the holders of the H Shares; and

(d) authorizes our Company to enter into a contract on his or her behalf with each of the Directors, Supervisors, managers and officers whereby such Directors, Supervisors, managers and officers undertake to observe and comply with their obligations to the Shareholders as stipulated in the Articles of Association.

Persons applying for or purchasing H Shares under the Global Offering are deemed, by their making an application or purchase, to have represented that they are not close associates of any of our Directors or an existing shareholder of our Company or a nominee of any of the foregoing.

COMMENCEMENT OF DEALINGS IN THE H SHARES

Dealings in the H Shares on the Stock Exchange are expected to commence on Tuesday, January 21, 2020. The H Shares will be traded in board lots of 2,000 H Shares each. The stock code of the H Shares will be 1601.

H SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the H Shares and we comply with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangement as such arrangements may affect their rights and interests. All necessary arrangements have been made to enable the H Shares to be admitted into CCASS.

PROFESSIONAL TAX ADVICE RECOMMENDED

You should consult your professional advisors if you are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of, or dealing in, the H Shares or exercising any rights attaching to the H Shares. We emphasize that none of us, the Sole Global Coordinator, the Underwriters, any of our or their respective directors, officers or representatives or any other person involved in the Global Offering accepts responsibility for any tax effects or liabilities resulting from your subscription, purchase, holding or disposing of, or dealing in, the H Shares or your exercise of any rights attaching to the H Shares.

REGISTER OF SHAREHOLDERS AND STAMP DUTY

Our principal register of members will be maintained in the PRC and our Hong Kong register of members will be maintained by our H Share Registrar, Computershare Hong Kong Investor Services Limited, in Hong Kong.

All Offer Shares will be registered on our Hong Kong register of members. Dealings in the H Shares registered on our Hong Kong register of members will be subject to Hong Kong stamp duty.

Unless determined otherwise by our Company, dividends payable in Hong Kong dollars in respect of our H Shares will be paid to the Shareholders listed on the H Share register of members of our Company in Hong Kong, by ordinary post, at the Shareholders' risk, to the registered address of each Shareholder of our Company.

EXCHANGE RATE CONVERSION

Unless otherwise specified, amounts denominated in RMB, Hong Kong dollars and US dollars have been translated into other currencies in this prospectus, for the purpose of illustration only, at the following exchange rates:

RMB1.00: HK$1.1368 (set by the PBOC for foreign exchange transactions prevailing on June 30, 2019); and

US$1.00: HK$7.8103 (the exchange rate set forth in the weekly statistical release of the Board of Governors of the Federal Reserve System of the United States on June 30, 2019).

No representation is made that any amounts in RMB, Hong Kong dollars and US dollars were or could have been or could be converted into each other at such rates or any other exchange rates on such date or any other date.

ROUNDING

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. If there is any inconsistency between the names of any of the entities mentioned in this prospectus which are not in the English language and their English translations, the names in their respective original language shall prevail.

DIRECTORS

Name	Address	Nationality
Non-executive Directors		
Mr. Hongwei Duan (段宏偉)	Room 202, Unit 1 Building 57, Courtyard 1 Lingxiuxin Guigu Xi'erqi West Road Haidian District, Beijing PRC	Chinese
Mr. Yixiang Lou (婁毅翔)	Room 503, West Tower Zhongjing Haoting No. 12 Ande Road Dongcheng District, Beijing PRC	Chinese
Mr. Shuqing Zhang (張書清)	Room 402, Unit 1, Building 2 Huafa Yiyuan, No. 18 Beiyuan Road Chaoyang District, Beijing PRC	Chinese
Mr. Peng Li (李鵬)	Room 1907, Suite 18 No. 66 Guangqu Road Chaoyang District, Beijing PRC	Chinese
Executive Directors		
Mr. Rongfeng He (何融峰)	Room 1102, 11/F, Unit 2, Building 4 Block 1, Courtyard 9 North Road of Agriculture College Huilongguan Changping District, Beijing PRC	Chinese
Mr. Wen Huang (黃聞)	Room 401, Block A Floor 4, Building 2 Huayuan Sili Fengtai District, Beijing PRC	Chinese

Name	Address	Nationality
Independent Non-executive Directors		
Mr. Dongyue Cheng (程東躍)	No. 82, Jindie Yuan, Yunxi Diegu No. 138, Zhijiang Road Zhuantang County Xihu District, Hangzhou Zhejiang Province PRC	Chinese
Mr. Wu Tak Lung (吳德龍)	Flat C, 11/F, Tower 11 Pacific Palisades 1 Braemar Hill Road, North Point Hong Kong	Chinese
Ms. Zhen Lin (林禎)	Room 401, No. 5, Branch lane 6 Lane 209, Fanyu Road Changning District, Shanghai PRC	Chinese

SUPERVISORS

Name	Address	Nationality
Mr. Jian Zhang (張健)	No. 562, Building 7 Northwestern Community Tsinghua University Haidian District, Beijing PRC	Chinese
Mr. Anping Tian (田安平)	Room 1806, Building 2, Chenfangyuan No. A-1, South Beach Chaoyang District, Beijing PRC	Chinese
Mr. Fang Fang (方放)	Room 601, Unit 7, Building 34 Xingfu Village II Chaoyang District, Beijing PRC	Chinese
Mr. Limin Long (龍利民)	Room 1201, Unit 1, 12/F Building 1, Courtyard 4 Luolan Street Changping District, Beijing PRC	Chinese
Mr. Chao Tong (佟超)	Room 805, Unit 2, Building 1 Vanke Sunshine Apartment No. 139, Shifuying Dongli Chaoyang District, Beijing PRC	Chinese
Ms. Di Zhou (周迪)	Room 19B, Building 1, Unit 2 Yuanda Garden, Yuanda Road Haidian District, Beijing PRC	Chinese
Ms. Nana Han (韓娜娜)	Room 108, Building 4 Changwa Community Haidian District, Beijing PRC	Chinese

Further information is set out in "Directors, Supervisors and Senior Management."

Sole Sponsor	Guotai Junan Capital Limited 27/F., Low Block, Grand Millennium Plaza 181 Queen's Road Central Hong Kong
Sole Global Coordinator	Guotai Junan Securities (Hong Kong) Limited 27/F., Low Block, Grand Millennium Plaza 181 Queen's Road Central Hong Kong
Joint Bookrunners and Joint Lead Managers	Guotai Junan Securities (Hong Kong) Limited 27/F., Low Block, Grand Millennium Plaza 181 Queen's Road Central Hong Kong Silk Road International Capital Limited 2906, 29/F, Two International Finance Centre 8 Finance Street, Central Hong Kong BOCOM International Securities Limited 9th Floor, Man Yee Building 68 Des Voeux Road, Central Hong Kong GF Securities (Hong Kong) Brokerage Limited 29-30/F, Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong
Legal Advisors to our Company	*as to Hong Kong and United States law:* Wilson Sonsini Goodrich & Rosati Suite 1509, 15/F, Jardine House 1 Connaught Place, Central Hong Kong

as to PRC law:

King & Wood Mallesons
18th Floor, East Tower
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Industry Consultant

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Receiving Bank

Bank of Communications Co., Ltd. Hong Kong Branch
Unit B B/F & G/F, Unit C G/F, 1-3/F, 16/F
Room 01 & 18/F
Wheelock House
20 Pedder Street, Central
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Registered office	1610, 16/F Building 101 (2-16/F) No. 21 Rongda Road Chaoyang District, Beijing PRC
Principal place of business in Hong Kong	40th Floor, Sunlight Tower No. 248 Queen's Road East Wanchai Hong Kong
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
Company secretary	Mr. Wei Gao (高偉) *(FCIS, FCS (PE))* Floor 5 & 6, Suite 7, Courtyard 2 No. 1 West Third Ring North Road Haidian District, Beijing PRC
Authorized representatives	Mr. Rongfeng He (何融峰) Room 1102, 11/F, Unit 2, Building 4 Block 1, Courtyard 9 North Road of Agriculture College Huilongguan Changping District, Beijing PRC
	Mr. Wei Gao (高偉) Floor 5 & 6, Suite 7, Courtyard 2 No. 1 West Third Ring North Road Haidian District, Beijing PRC
Audit Committee	Mr. Wu Tak Lung (吳德龍) *(Chairman)* Mr. Dongyue Cheng (程東躍) Ms. Zhen Lin (林禎) Mr. Yixiang Lou (婁毅翔) Mr. Peng Li (李鵬)
Remuneration Committee	Mr. Dongyue Cheng (程東躍) *(Chairman)* Mr. Wu Tak Lung (吳德龍) Ms. Zhen Lin (林禎) Mr. Hongwei Duan (段宏偉) Mr. Rongfeng He (何融峰)

Nomination Committee	Mr. Hongwei Duan (段宏偉) *(Chairman)* Mr. Dongyue Cheng (程東躍) Mr. Wu Tak Lung (吳德龍) Ms. Zhen Lin (林禎) Mr. Rongfeng He (何融峰)
Risk Control Committee	Ms. Zhen Lin (林禎) *(Chairwoman)* Mr. Dongyue Cheng (程東躍) Mr. Wu Tak Lung (吳德龍) Mr. Shuqing Zhang (張書清) Mr. Wen Huang (黃聞)
Compliance advisor	Guotai Junan Capital Limited 27/F., Low Block, Grand Millennium Plaza 181 Queen's Road Central Hong Kong
H Share Registrar	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor Hopewell Centre 183 Queen's Road East, Wanchai Hong Kong
Principal banks	Bank of Nanjing Tower A, Wanliu Xingui Building No. 28 Wanquanzhuang Road Haidian District, Beijing PRC
	China Everbright Bank Floor 1, Science and Technology Trade Center Office Building No. 18 Zhongguancun Avenue Haidian District, Beijing PRC
	Bank of Jiangsu Room 106, Floor 1, Suit 4, Courtyard 10 Ronghua South Road Beijing Economic-Technological Development Area Daxing District, Beijing PRC
Company website address	**www.zgclease.com** *(Information contained in this website does not form a part of this prospectus)*

This section sets forth a summary of the most significant aspects of laws and regulations relating to our business operations in PRC or our Shareholders' rights to receive dividends and other distributions from us.

OVERVIEW

Our financial lease businesses are subject to relevant PRC policies, laws and regulations and are under supervision of the CBIRC, the BLFSA, and other regulatory authorities. Such laws, regulations and policies mainly govern areas such as the operation and management of the financial leasing industry. Besides, all our business operation in the PRC is subject to general laws and regulations regarding taxation, foreign exchange, intellectual property as well as labor, etc. In addition, as a state-controlled company, we are subject to state owned supervision as well. Any violation of those laws and regulations may have an adverse impact on our business operation and future development.

MAJOR REGULATORY AUTHORITIES

The CBIRC

China Banking and Insurance Regulatory Commission ("CBIRC") was set up on April 8, 2018, formed by the merger of former China Banking Regulatory Commission and former China Insurance Regulatory Commission, and is a regulatory institution directly led by the State Council. According to the *Notice relating to the Principal Responsibilities, Internal Organization and Personnel Establishment of the China Banking and Insurance Regulatory Commission* (《中國銀行保險監督管理委員會職能配置、內設機構和人員編制規定》) issued by the State Commission Office of Public Sectors Reform on November 13, 2018, the CBIRC is responsible for formulating and publishing business regulation and supervising rules for small loan companies, financing guarantee companies, pawnshops, financial leasing company, commercial factoring company and local asset management company.

According to the Notice of the General Office of the Ministry of Commerce on Matters Concerning Adjustments to the Responsibility to Regulate Financial Leasing Companies, Commercial Factoring Companies and Pawn Shops (Shang Ban Liu Tong Han [2018] No. 165) (《商務部辦公廳關於融資租賃公司、商業保理公司和典當行管理職責調整有關事宜的通知》(商辦流通函[2018]165號)) issued by the Ministry of Commerce of the People's Republic of China ("MOFCOM") on May 8, 2018, since April 20, 2018, the Ministry of Commerce has transferred the responsibilities the authority and duties of formulating rules for and conducting supervision on finance leasing companies, commercial factoring companies and pawn shops to the CBIRC. As of June 30, 2019, the CBIRC had not promulgated any supervising policies and regulations regarding financial leasing company and industry since the MOFCOM transferred the responsibilities and duties to CBIRC.

The Beijing Local Financial Supervision and Administration

The Beijing Local Financial Supervision and Administration ("BLFSA") is a municipal government agency responsible for promoting the city's financial development, financial services, and financial market construction. According to the official statement of the BLFSA, the BLFSA regulates the financial leasing business by taking charge of supervising and administrative approval for small loan companies, financing guarantee companies, pawnshops, financial leasing company, commercial factoring company and local asset management company in Beijing.

MOFCOM

The MOFCOM is the constituent department under the State Council responsible for the domestic and foreign trade and international economic cooperation. The MOFCOM regulated the financial leasing business in accordance with the *Administrative Measures of Supervision on Financial Leasing Enterprises* (Shang Liu Tong Fa [2013] No. 337)(《融資租賃企業監督管理辦法》 (商流通發[2013]337號)) and relevant law and regulations before April 20, 2018, when the MOFCOM transferred the responsibilities and duties to CBIRC.

OTHER REGULATORY AUTHORITIES

Other than the abovementioned regulatory authorities, the Company is also under the supervision and regulation of the SAT and the State Administration for Market Regulations (SAMR) and State Administration of Foreign Exchange ("SAFE"). If the leased properties are subject to special industry regulations (for example, the financial leasing business for medical equipment shall be subject to the regulations of the National Medical Products Administration), they shall be subject to the regulations of the corresponding regulatory authorities.

LAWS AND REGULATIONS RELATION TO THE FINANCIAL LEASING

According to the Notice of the Ministry of Commerce and the State Administration of Taxation on Relevant Issues Concerning the Engagement of Financial Leasing Business (Shang Jianfa [2004] No. 560) (《商務部、國家稅務總局關於從事融資租賃業務有關問題的通知》商建發[2004]560號) (the "Notice"), issued by the MOFCOM and the SAT on October 22, 2004, the domestic-funded finance lease pilot companies shall meet the following conditions: (1) The minimum registered capital of companies established before August 31, 2001 (inclusive) shall reach RMB40 million, and the minimum registered capital of companies established between September 1, 2001 and December 31, 2003 shall reach RMB170 million; (2) have a sound internal management system and risk control system; (3) with corresponding professionals in finance, trade, law, accounting, etc., senior management personnel should have no less than three years of experience in the leasing industry; (4) with good business performance in the past 2 year without no record of violation of laws and regulations; (5) have an industry background associated with the financial leasing products; and (6) other conditions stipulated by laws and regulations.

For domestic-funded finance lease pilot companies established after December 31, 2003, MOFCOM and SAT have not issued any official requirements on minimum registered capital.

According to the Notice, the risk assets (including the guarantee balance) of any domestic-funded finance lease pilot company shall not exceed 10 times of its total registered capital.

The *Administrative Measures of Supervision on Financial Leasing Enterprises* (Shang Liu Tong Fa[2013]No. 337) (《融資租賃企業監督管理辦法》商流通發[2013]337號) (the "Administrative Measures") was formulated by the MOFCOM and became effective on October 1, 2013. According to the Administrative Measures, MOFCOM and the competent provincial-level counterpart of the MOFCOM are in charge of the supervision and administration of financial leasing enterprises. A financial leasing company shall report, according to the requirements of the MOFCOM, the relevant data in a timely and truthful manner through the National Financial leasing company Management Information System. Specifically, a financial leasing enterprise shall, submit, within 15 business days after the end of each quarter, the statistics on and summary of its operation in the preceding quarter, and statistics on and summary of its operation in the preceding year as well as its financial and accounting report (including appended notes thereto) audited by an auditing firm for the preceding year prior to April 30, of each year. In the event of change of name, relocation to another region, increase or decrease of registered capital, change of organizational form, adjustment of ownership structure or other changes, a financial leasing company shall report to the competent provincial-level commerce authority in advance. A financial leasing company shall, within five working days after registering the said changes, log into the National Financial leasing company Management Information System to modify the above information.

Financial leasing enterprises should use real substances, which have clear ownership and enable to generate revenue, as leased assets to carry out the financial leasing business. Financial leasing enterprises shall not engage in deposits, loans, entrusted loans or other financial services, and shall not engage in inter-bank borrowing unless the permission was granted from relevant authorities. Financial leasing enterprises must not carry out illegal fund-raising activities under the name of a financial leasing company. According to the Administrative Measures, financial leasing enterprises shall strengthen their internal risk controls, and establish good systems for classifying at risk assets, and adopt a credit appraisal system for the lessee, a post recovery and disposal system and a risk alert mechanism. A financial leasing company shall also establish an affiliated transaction management system, and exclude the persons related to the affiliated transactions from the voting or decision-making process for affiliated transactions where the lessee is an affiliate. In the event of any purchase of equipment from an affiliated production company, the settlement price for such equipment shall not be significantly lower than the price offered by such company to any third party of such equipment or the equipment of the same batch.

The Administrative Measures also contains regulatory provisions specifically focusing on the sale-and-leaseback transaction. The subject matter of a sale-and-leaseback transaction shall be those properties that can give play to its economic functions and produce continuous economic benefits. A financial leasing company shall not accept any property, to which a lessee has no title, or on which any mortgage has been created, or which has been sealed up or seized by any judicial organ, or whose ownership has any other defects as the subject matter of a sale-and-leaseback transaction. A financial leasing company shall give adequate consideration to and objectively evaluate assets leased back, set purchasing prices for subject matter thereof with reference to reasonable pricing basis in compliance with accounting principles, and shall not purchase any subject matter at a price in excess of the value thereof.

According to the Administrative Measures, risk assets of a finance leasing enterprise shall not exceed 10 times the total net asset value.

The risk assets, registered capital, and net asset value of the Company were in compliance with the Administrative Measures and the Notice during the Track Record Period. The following table sets forth the Company's risk assets, registered capital and net asset value as of the dates indicated.

	As of December 31,			**As of June 30,**
	2016	**2017**	**2018**	**2019**
	(RMB in thousands)			
Risk assets (total assets net of cash and cash equivalents and pledged and restricted deposits)	4,386,090	4,661,615	5,635,098	5,862,074
Registered capital	500,000	1,000,000	1,000,000	1,000,000
Net asset value	631,925	1,202,716	1,287,761	1,327,034
Risk assets/Registered capital (times)	8.77	4.66	5.64	5.86
Risk assets/Net asset value (times)	6.94	3.88	4.38	4.42

Furthermore, the BLFSA, which regulates finance lease companies in Beijing, issued the Letter of Regulatory Opinion on September 8, 2019, which states that the BLFSA has no objection to our Company's Listing, and that after consulting relevant governmental authorities, no violations of the Company were found during the relevant governmental authorities' supervision period.

Guiding Opinions on Accelerating the Development of Financial Leasing Industry (Guo Ban Fa [2015] No. 68) (《關於加快融資租賃業發展的指導意見》國辦發[2015]68號) (the "Guiding Opinion"), was promulgated by the General Office of the State Council of the PRC on August 31, 2015, mainly tasking to accelerate the development of the financial leasing industry in four aspects which includes its system and mechanism reform, development in major fields, innovative development and industry supervision. According to the Guiding Opinion, there is no minimum registered capital limit for the subsidiary of the financial leasing company, the financial leasing company is allowed to sideline in commercial factoring which is related to its main business. Private capital and independent third-party service provider are supported to incorporate the financial leasing company.

Notice of the General Office of the Ministry of Commerce on Matters Concerning Adjustments to the Responsibility to Regulate Financial Leasing Companies, Commercial Factoring Companies and Pawn Shops (Shang Ban Liu Tong Han [2018] No. 165) (《商務部辦公廳關於融資租賃公司、商業保理公司和典當行管理職責調整有關事宜的通知》商辦流通函[2018]165號) was promulgated by the General Office of MOFCOM on May 8, 2018. The MOFCOM has allocated the responsibility for developing the rules for business operation of financial leasing companies, commercial factoring companies, pawn shops and regulatory rules to the CBIRC, and relevant duties shall be performed by the CBIRC since April 20, 2018.

As advised by our PRC legal advisors, as of the date of this prospectus, neither the CBIRC nor the BLFSA has promulgated any relevant regulations on finance lease companies.

The Shanghai Local Financial Supervision and Administration and the Tianjin Local Financial Supervision and Administration have promulgated the *Several Opinions on Further Promoting the Compliant and Healthy Growth of Local Finance Lease Companies, Commercial Factoring Companies, and Pawnbrokers and Strengthening Operational and Post-operational Supervisions* (《關於進一步促進本市融資租賃公司、商業保理公司、典當行等三類機構規範健康發展強化事中事後監管的若干意見》) and the *Guiding Opinions on Strengthening the Supervisory Activities over Local Finance Lease Companies* (《關於加強我市融資租賃公司監督管理工作的指導意見》), respectively.

As advised by our PRC legal advisors, the abovementioned regulations from regulatory authorities in Shanghai and Tianjin are not binding on us. Even in the hypothetical situation where similar regulations become effective in Beijing which are binding on us, neither the Company nor our PRC legal advisors are currently aware of any non-compliance of the Company with such regulations that would have a material adverse impact on our business operations or financial condition.

LAWS AND REGULATIONS RELATION TO THE MEDICAL EQUIPMENT

The *Comments in Response to Some Regulatory Issues about Medical Equipment Financial Leasing* (Guo Shi Yao Jian Shi[2005] No. 250) (《關於融資租賃醫療器械監管問題的答覆意見》國食藥監市[2005]250號) was promulgated by the former China Food and Drug Administration ("CFDA"), on June 1, 2005, clarifying that financial leasing of medical equipment is included into the scope of regulation of medical equipment.

The *Regulations on Supervision and Control of Medical Equipment* (《醫療器械監督管理條例》) was amended by the State Council on May 4, 2017, and the *Administrative Measures on the Business Operation and Supervision of Medical Equipment* (《醫療器械經營監督管理辦法》) was amended by CFDA on November 17, 2017, according to which companies engaging in specific class medical equipment shall obtain the License for Dealing in Medical Equipment (《醫療器械經營許可證》) or complete the filing procedures with the competent authority of food and drug administration and comply other relating regulations promulgated by CFDA and other supervising authorities regarding medical equipment.

The *Guiding Opinions of the General Office of the State Council on Promoting the Sound Development of the Medical Industry* (Guo Ban Fa [2016] NO. 11) (國務院辦公廳關於促進醫藥產業健康發展的指導意見) was promulgated by the General Office of the State Council on March 4, 2016, encouraging medical equipment producing companies to cooperate with financial leasing companies, aiming at offering instalment plan for companies of different ownership to purchase large medical equipment.

LAWS AND REGULATIONS RELATING TO FOREIGN INVESTMENT

Special Administrative Measures for Foreign Investment Access

Investment in the PRC by foreign investors and foreign-invested enterprises shall comply with the *Special Administrative Measures (Negative List) for Foreign Investment Access* (外商投資准入特別管理措施(負面清單)) (the "Negative List"), which was last amended and issued by MOFCOM and NDRC on June 30, 2019 and became effective since July 30, 2019. Foreign investors shall not invest in any of the prohibited sectors specified in the Negative List. Foreign investors shall obtain an approval for foreign investment access of if they intend to invest in other sectors that are not prohibited in the Negative List, and if they intend to invest in sectors subject to limits on the proportion of foreign investment, their investment shall not exceed such proportion and they are not allowed to make such investment in a form of foreign-invested partnerships.

The finance lease industry is not among the industries on the Negative List and is not subject to the special administrative measures.

LAWS AND REGULATIONS RELATION TO ASSET SECURITIZATION

According to *the Administrative Measures on Asset Securitization of Securities Companies and Subsidiaries of Fund Management Companies* (證券公司及基金管理公司子公司資產證券化業務管理規定) adopted by the CSRC on November 19, 2014, asset securitization shall mean business activities of issuance of asset-backed securities paid and supported by cash flow generated by the underlying assets, and credit enhancement through structuring etc. Underlying assets may be property rights such as an enterprise's accounts receivable, creditor's rights under a lease, credit assets and beneficial rights to a trust, immovable property or usufruct such as infrastructure and commercial properties, and other properties or property rights recognized by the CSRC. The issuer (originator) shall not encroach upon or cause damage to the underlying assets, and shall perform the following duties: (1) transfer underlying assets pursuant to the provisions of laws, administrative regulations, the company's articles of association and the relevant agreement; (2) cooperate with and support performance of duties by the manager, custodian and any other organization providing services for asset securitization; and (3) any other duties agreed in the legal documents of the ABS.

According to *the Confirmation Guidance of Finance Lease Credit Asset-backed Securities Listing Conditions* (融資租賃債權資產支援證券掛牌條件確認指南) adopted by the Shanghai Stock Exchange on February 9, 2018, for the issuance of asset-backed securities with financial lease credits as the backed-assets, the backed-assets must meet additional requirements in addition to the general requirements for the basic assets eligibility criteria. The base asset pool should be dispersed, including at least 10 debtors who are not related to each other. The amount of assets of a single debtor entering the pool does not exceed 50%, and the amount of assets of the top 5 debtors does not exceed 70%. Related debtors should be calculated as one debtor.

CONTRACT LAW

Pursuant to the *Contract Law of the PRC* (《中華人民共和國合同法》) (the "PRC Contract Law") promulgated by the National People's Congress effective from October 1, 1999 for regulating the civil contractual relationships among natural persons, legal persons and other organizations, Chapter 14 of the PRC Contract Law sets mandatory rules about financial leasing contracts including that the financial leasing contract shall be in written format and shall include terms such as the name, quantity, specifications, technical performance and inspection method of the leased property, the lease term, the composition, payment term, payment method and currency of the rent and the ownership of the leased property upon expiration of the lease.

Under the financial leasing contracts, the lessor shall conclude a purchase contract based on the lessee's selections in respect of the seller and the leased property, and the seller shall deliver the leased property to the lessee as agreed. The lessee has the rights of a buyer related to taking delivery of the leased property.

Without the consent of the lessee, the lessor may not modify relevant particulars related to the lessee of the purchase contract which has been concluded based on the lessee's selections in respect of the seller and the leased property. The lessor is not liable for personal injury or damage to the property of a third party caused by the leased property while in the possession of the lessee. However, the ownership of the leased property vests in the lessor. If it is not stipulated in which party ownership shall vest upon expiration of the lease term, if such stipulation is not clear, or if ownership cannot be determined in accordance with the PRC Contract Law, the ownership of the leased property shall vest in the lessor upon expiration of the lease term.

Pursuant to the PRC Contract Law, unless otherwise agreed upon by the parties, the rental shall be determined according to the major part or whole of the costs for the purchasing the leased property and reasonable profits of the lessor.

Pursuant to the *Interpretation of the Supreme People's Court on Issues concerning the Application of Law in the Trial of Cases Involving Disputes over Financial Leasing Contracts* (Fa Shi [2014] No. 3) (《最高人民法院關於審理融資租賃合同糾紛案件適用法律問題的解釋》法釋[2014]3號) effective from March 1, 2014, where no legal relationship of finance leasing actually exists under a contract titled finance leasing contract, a people's court shall handle cases according to the actual legal relationships. Where the lessee sells its own property to the lessor and then leases back the property from the lessor under a finance leasing contract, the people's court shall not determine that there is no legal relationship of finance leasing simply because the lessee and the seller are the same party.

LAWS AND REGULATIONS RELATING TO LABOR

Pursuant to the *PRC Labor Law* (《中華人民共和國勞動法》) promulgated on July 5, 1994 with effect from January 1, 1995, and last revised on December 29, 2018, as well as the *PRC Labor Contract Law* (《中華人民共和國勞動合同法》) promulgated on June 29, 2007, revised on December 28, 2012 and effective from July 1, 2013, if an employment relationship is established between an entity and its employees, written labor contracts shall be executed between them. The relevant laws stipulate the maximum number of working hours per day and per week, respectively. Furthermore, the relevant laws also set forth the minimum wage. The entities shall establish and develop systems for occupational safety and sanitation, implement the rules and standards of the PRC government on occupational safety and sanitation, educate employees on occupational safety and sanitation, prevent accidents at work and reduce occupational hazards.

Pursuant to the *Interim Regulations on the Collection and Payment of Social Insurance Premiums* (《社會保險費徵繳暫行條例》) promulgated on January 22, 1999, and last revised on March 24, 2019, *Decisions of the State Council on Modifying the Basic Endowment Insurance System for Enterprise Employees* (《國務院關於完善企業職工基本養老保險制度的決定》) promulgated on December 3, 2005, *Decision of the Stock Council on Establishing the Urban Employee's Basic Medical Insurance System* (《國務院關於建立城鎮職工基本醫療保險制度的決定》) promulgated on December 14, 1998, the *Regulations on Unemployment Insurance* (《失業保險條例》) effective from January 22, 1999, *Regulations on Work-Related Injury Insurance* (《工傷保險條例》) promulgated on April 27, 2003 with effect from January 1, 2004, and last amended on December 20, 2010, and the *Interim Measures concerning the Maternity Insurance for Enterprise Employees* (《企業職工生育保險試行辦法》) promulgated on December 14, 1994 with effect from January 1, 1995, employers are required to register with the competent social insurance authorities and provide their employees with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, work-related injury insurance and medical insurance.

Pursuant to the *Social Insurance Law of the PRC* (《中華人民共和國社會保險法》), which was promulgated on October 28, 2010, last amended and became effective on December 29, 2018, all employees are required to participate in basic pension insurance, basic medical insurance schemes and unemployment insurance, which must be contributed by both the employers and the employees. All employees are required to participate in work-related injury insurance and maternity insurance schemes, which must be contributed by the employers. Employers are required to complete registrations with local social insurance authorities. Moreover, the employers must timely make all social insurance contributions. Except for mandatory exceptions such as force majeure, social insurance premiums may not be paid late, reduced or be exempted. Where an employer fails to make social insurance contributions in full and on time, the social insurance contribution collection agencies shall order it to make all or outstanding contributions within a specified period and impose a late payment fee at the rate of 0.05% per day from the date on which the contribution becomes due. If such employer fails to make the overdue contributions within such time limit, the relevant administrative department may impose a fine equivalent to one to three times the overdue amount.

Pursuant to the *Administrative Regulations on the Housing Provident Fund* (《住房公積金管理條例》) effective from April 3, 1999, and last amended on March 24, 2019, enterprises are required to register with the competent administrative centers of housing provident fund and open bank accounts for housing provident funds for their employees. Employers are also required to timely pay all housing fund contributions for their employees. Where an employer fails to submit and deposit registration of housing provident fund or fails to go through the formalities of opening housing provident fund accounts for its employees, the housing provident fund management center shall order it to go through the formalities within a prescribed time limit. Failing to do so at the expiration of the time limit will subject the employer to a fine of not less than RMB10,000 and up to RMB50,000. When an employer fails to pay housing provident fund due in full and in time, housing provident fund center is entitled to order it to rectify, failing to do so would result in enforcement exerted by the court.

LAWS AND REGULATIONS RELATING TO TAXATION

Enterprises Income Tax

According to the *Enterprises Income Tax Law of the PRC* (《中華人民共和國企業所得稅法》) (the "EIT Law"), which was promulgated by the National People's Congress on March 16, 2007, took effect on January 1, 2008 and last amended on December 29, 2018 and its implementing rules, a unified enterprise income tax (the "EIT") rate of 25% is applied equally to both domestic enterprises and foreign invested enterprises excluding non-resident enterprises.

Value-added Tax

Pursuant to the *Interim Regulations on Value-Added Tax of the PRC* (《中華人民共和國增值稅暫行條例》) promulgated by the Stated Council of the PRC on December 13, 1993 and subsequently amended on November 10, 2008, and became effective on January 1, 2009 and last amended on November 19, 2017 and its implementing rules promulgated by MOF on December 25, 1993 and amended by the MOF and the SAT on December 15, 2008 and last amended by MOF on October 28, 2011, tax payers engaging in selling goods, labor services, or tangible movable property leasing services or importing goods within the territory of the PRC shall pay value-added tax (the "VAT") at the tax rate of 6%, 11% or 17%. Unless otherwise provided, taxpayers engaged in selling services or intangible assets shall pay VAT at the tax rate of 6%. Unless otherwise provided by the State Council, the tax rate of VAT shall be zero on goods exported by taxpayers.

Pursuant to the *Notice of the State Administration of Taxation on Levying Turnover Tax on Financial Leasing Business* (Letter of SAT [2000] No. 514) (《國家稅務總局關於融資租賃業務徵收流轉稅問題的通知》國稅函[2000]514號) promulgated by the SAT on July 7, 2000, the financial leasing business conducted by entities approved by the PBOC shall be levied business tax according to the *Provisional Regulations on Business Tax* (《營業稅暫行條例》) and no VAT shall be levied, whether or not the ownership of the leased goods has not been transferred to the lessee. Pursuant to the *Supplemental Notice of State Administration of*

Taxation on Levying Turnover Tax on Financial Leasing Business (Letter of SAT [2000] No. 909) (《國家稅務總局關於融資租賃業務徵收流轉稅問題的補充通知》國稅函[2000]909號) promulgated by the SAT on November 15, 2000, the *Notice of State Administration of Taxation on Levying Turnover Tax on Financial Leasing Business* shall be applicable to the financial leasing business conducted by foreign-invested enterprises and foreign enterprises approved by Ministry of Foreign Trade and Economic Cooperation.

According to the Appendix 1 to the circular, namely the Implementing Measures on Pilot Collection of Value-added Tax in Lieu of Business Tax (營業稅改徵增值稅試點實施辦法), entities and individuals providing tangible assets leasing service within the PRC shall pay VAT at a rate of 17% and those providing consultation services shall pay VAT at a rate of 6%. Under Appendix 3: Provisions on the Transit Policies for the Pilot Collection of Value-added Tax in lieu of Business Tax (營業稅改徵增值稅試點過渡政策的規定), where general taxpayers with the registered capital reaching RMB170 million among the pilot taxpayers that approved by the PBOC, China Banking Regulatory Commission or MOFCOM to engage in finance leasing service further provide tangible asset finance leasing services, the actual VAT part of whichever rate more than 3% shall be immediately refunded upon collection. The circular was replaced by the *Circular of the Ministry of Finance and the SAT on Comprehensively Promoting the Pilot Program of the Collection of Value-added Tax in Lieu of Business Tax* (Cai Shui [2016] No. 36) (《財政部、國家稅務總局關於全面推開營業稅改徵增值稅試點的通知》財稅[2016] 36號) (the "Circular 36") which became effective on May 1, 2016. The Group is subject to value-added tax and entitled to immediate refund upon collection according to the Circular 36. According to *the Notice of the Ministry of Finance and the State Administration of Taxation on the Adjustment to VAT Rates* (Cai Shui [2018] No. 32) (《財政部、國家稅務總局關於調整增值稅稅率的通知》) 財稅[2018]32號 which took effect on May 1, 2018, the deduction rates of 17% and 11% applicable to the taxpayers who have VAT taxable sales activities or imported goods are adjusted to 16% and 10%, respectively. According to the *Announcement of the Ministry of Finance, the State Taxation Administration and the General Administration of Customs on Relevant Policies for Deepening the Value-Added Tax Reform* (《財政部、稅務總局、海關總署關於深化增值稅改革有關政策的公告》), the tax rate of 16% applicable to the VAT taxable sale or import of goods by a general VAT taxpayer shall be adjusted to 13%, and the tax rate of 10% applicable thereto shall be adjusted to 9%.

The Notice Concerning on the Taxation Issue of Selling Assets in Sale and Leaseback Financial Business (《國家稅務總局關於融資性售後回租業務中承租方出售資產行為有關稅收問題的公告》國家稅務總局公告2010年第13號) (No. 13 [2010] of the State Administration of Taxation) was formulated on September 8, 2010 and took effect on October 1, 2010, clarifying the sale of assets by the lessee in sale and leaseback financing does not fall within the levying scope of VAT and business tax and shall not be subject to VAT or business tax. And pursuant to the announcement and relevant provisions, the income from the sale of assets by the lessee in sale and leaseback financing shall not be recognized as sales income, and the depreciation of assets in financial leasing shall still be computed according to the original book value of the assets before sale as the tax base. The part paid by the lessee as interest on financing during the lease term shall be deducted before tax as the enterprise's financial expenses.

Our finance lease services primarily take the forms of direct leases and sale-and-leasebacks. For direct leases, the VAT rate is 17% from January 1, 2016 to April 30, 2018, and then reduced to 16% according to *the Notice of the Ministry of Finance and the State Administration of Taxation on the Adjustment to VAT Rates* (Cai Shui [2018] No. 32) (《財政部、國家稅務總局關於調整增值稅稅率的通知》財稅[2018]32號) until March 31, 2019, after that further reduced to 13% according to *the Announcement of the Ministry of Finance, the State Taxation Administration and the General Administration of Customs on Relevant Policies for Deepening the Value-Added Tax Reform* (《財政部、稅務總局、海關總署關於深化增值稅改革有關政策的公告》). For sale-and-leasebacks, the VAT rate is 17% from January 1, 2016 to April 30, 2016, and then reduced to 6% according to the Circular 36.

The Group's advisory services are subject to the VAT at the rate of 6% during the Track Record Period.

Interim Regulation of the People's Republic of China on Stamp Tax

Pursuant to the *Interim Regulation of the People's Republic of China on Stamp Tax* (中華人民共和國印花稅暫行條例) was promulgated by the State Council on August 6, 1988, took effect on October 1, 1988, and last amended on January 8, 2011, documents issued for purchase and sale transactions, process contracting, property leasing, commodity transportation, storage and custody of goods, loans, property insurance, technology contracts and other documents of a contractual nature shall be regarded as taxable documents, according to which tax payer shall pay stamp duties. The amount of stamp duties shall be calculated based on the proportional tax rate, or the quota amount. Determination of detailed tax rates and amounts of tax to be paid shall be undertaken in accordance with the Stamp Duty Tariff Table (印花稅稅目稅率表).

Enterprise Accounting Codes No. 21-Leasing

The Ministry of Finance promulgated the *Accounting Standards for Enterprises No. 21-Leases* (Cai Kuai [2006] No. 3) (《企業會計準則第21號 – 租賃》財會[2006]3號) (the "Codes"), on February 15, 2006 and amended on December 7, 2018 to regulate the accounting and information disclosure about finance leasing and operating leasing. Under the Codes, leasing means an agreement to transfer the use rights of an asset to another party for a specified period in return for a rental payment. These Codes do not apply to the leasing of land-use rights or buildings through operating lease or the licensing of films, video tapes, scripts, writings, patents and copyrights, and the impairment losses of long-term credits formed by the finance leasing of a lessor. In respect of any leasing, the Codes require the lessor and the lessee to analyze the classification of the leasing as finance leasing or as operating leasing at the commencement of the lease. The Codes also set out factors to be considered in such classification. The accounting treatment of finance leasing and operating leasing to be applied to the lessor and the lessee are specified in separate sets of detailed provisions in respect of their lease transaction on the notes of their balance sheet. In addition, they are required to disclose each sale-and-leaseback transaction as well as the important provisions of these sale-and-leaseback contracts.

PRC LAWS AND REGULATIONS RELATING TO FOREIGN EXCHANGE

The lawful currency of the PRC is the Renminbi, which is currently subject to foreign exchange control and is not freely convertible into foreign exchange. The SAFE under the PBOC is responsible for administration of all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

Foreign Exchange

In accordance with the *Notice of the State Council on Further Reforming the Foreign Exchange Management System* (《關於進一步改革外匯管理體制的通知》) (Guo Fa [1993] No. 89 (abolished)) issued by the State Council, since January 1, 1994, the conditional convertibility of Renminbi in current account items and the unified exchange rate has been implemented, and the official Renminbi exchange rate and the market rate for Renminbi have been unified. The former dual exchange rate system for Renminbi had been abolished and a unitary and managed floating rate based on market demand and supply was introduced. The PBOC set and published daily the medium price of Renminbi against the US dollar and the exchange rates of Renminbi against other major currencies in reference to the changes in the international foreign exchange markets, which was permitted to float to a certain extent in foreign exchange transactions.

Pursuant to the *Administrative Regulations of the PRC on Foreign Exchange* (《中華人民共和國外匯管理條例》) promulgated by the State Council on January 29, 1996 and amended on August 1, 2008 and became effective on August 5, 2008, and various regulations issued by the SAFE and other PRC regulatory agencies, foreign currency could be exchanged or paid through two different accounts, namely current account and capital account. Payment of current account items, including commodity, trade and service-related foreign exchange transactions and other current payment, may be made by conversion between Renminbi and foreign currencies without approval of SAFE, but are subject to procedural requirements including presenting relevant documentary evidence of such transactions. Capital account items, such as direct equity investment, loans and repatriation of investment, require the prior approval from or registration with the SAFE or its local branch for conversion between Renminbi and foreign currency, and remittance of the foreign currency outside the PRC.

On June 20, 1996, the PBOC promulgated the *Regulations for the Administration of Settlement, Sale and Payment of Foreign Exchange* (《結匯、售匯及付匯管理規定》) (Yin Fa [1996] No. 210) (the "Settlement Regulations") which became effective on July 1, 1996. The Settlement Regulations abolished the remaining restrictions on convertibility of foreign exchange under current account items, while retaining the existing restrictions on foreign exchange transactions under capital account items.

According to the *Announcement on Improving the Reform of the Renminbi* (《關於完善人民幣匯率形成機制改革的公告》) (PBOC Announcement [2005] No. 16), issued by the PBOC on July 21, 2005, the PRC began to implement a managed floating exchange rate system in which the exchange rate would be determined based on market supply and demand and adjusted with reference to a basket of currencies. The Renminbi exchange rate was no longer pegged to the US dollar. The PBOC would publish the closing price of the Renminbi against foreign currencies such as the US dollar in the inter-bank foreign exchange market after the closing of the market on each business day, which would be used as the central parity for Renminbi transactions on the following business day.

Management of Foreign Debts

Pursuant to the *Interim Provisions on the Management of Foreign Debts* (Order of NDRC, MOF, and SAFE No. 28) (《外債管理暫行辦法》國家發展計劃委員會、財政部、國家外匯管理局令第28號), the summation of the accumulated medium-term and long-term debts borrowed by foreign-invested enterprises and the balance of short-term debts shall not exceed the surplus between the total investment in projects approved by the verifying departments and the registered capital. Within the range of the surplus foreign-invested enterprises may borrow foreign loans at their own will, if the loans exceed the surplus, the total investment in projects shall be reexamined by the original examination and approval departments.

SAFE Circular 59, SAFE Circular 19 and SAFE Circular 13

On November 19, 2012, SAFE promulgated the *Circular of Further Improving and Adjusting Foreign Exchange Administration Policies on Foreign Direct Investment* (Hui Fa [2012] No. 59) (《關於進一步改進和調整外商直接投資外匯管理政策的通知》匯發[2012]59號) (the "SAFE Circular 59"), which became effective on December 17, 2012, amended on May 4, 2015 and October 10, 2018. SAFE Circular 59 substantially amends and simplifies the current foreign exchange procedure. According to SAFE Circular 59, the opening of various special purpose foreign exchange accounts (e.g. pre-investment expenses account, foreign exchange capital account, asset realization account, guarantee account) no longer requires the approval of SAFE. Furthermore, multiple capital accounts for the same entity may be opened in different provinces, which was not possible before the issuance of SAFE Circular 59. Reinvestment of lawful incomes derived by foreign investors in the PRC (e.g. profit, proceeds of equity transfer, capital reduction, liquidation and early repatriation of investment) no longer requires SAFE's approval or verification, and purchase and remittance of foreign exchange as a result of capital reduction, liquidation, early repatriation or share transfer in a foreign-invested enterprise no longer requires SAFE's approval.

The *Circular on Reforming the Management Approach regarding the Settlement of Foreign Exchange Capital of Foreign-invested Enterprises* (Hui Fa [2015] No. 19) (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》匯發[2015]19號) (the "SAFE Circular 19"), was promulgated on March 30, 2015, which came into effect from June 1, 2015. According to SAFE Circular 19, the foreign exchange capital of foreign-invested enterprises shall be subject to the Discretional Foreign Exchange Settlement. The Discretional Foreign Exchange Settlement refers to the foreign exchange capital in the capital account of an foreign invested enterprise for which the rights and interests of monetary contribution has been confirmed by the local foreign exchange bureau (or the book-entry registration of monetary contribution by the banks) can be settled at the banks based on the actual operational needs of the foreign invested enterprise. The proportion of Discretional Foreign Exchange Settlement of the foreign exchange capital of a foreign invested enterprise is temporarily determined as 100%. The Renminbi converted from the foreign exchange capital will be kept in a designated account and if an FIE needs to make further payment from such account, it still needs to provide supporting documents and go through the review process with the banks.

Pursuant to *Circular on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies* (Hui Fa [2015] No. 13) (《關於進一步簡化和改進直接投資外匯管理政策的通知》匯發[2015]13號) (the "SAFE Circular 13"), which was promulgated by SAFE on February 13, 2015 and became effective from June 1, 2015, the foreign exchange registration under domestic direct investment and the foreign exchange registration under overseas direct investment will be directly reviewed and handled by banks in accordance with the Circular 13, and the SAFE and its branches shall perform indirect regulation over the foreign exchange registration via banks.

PRC LAWS AND REGULATIONS RELATING TO INTELLECTUAL PROPERTY RIGHT

Patent

According to the Patent Law of the PRC (《中華人民共和國專利法》) promulgated by the Standing Committee of the NPC on March 12, 1984 and subsequently amended on September 4, 1992, August 25, 2000 and December 27, 2008, respectively and its implementation rules, patents of invention and utility model and exterior design are entitled to legal protection. Only inventions and utility models which are original, creative and practicable shall be granted patents. For exterior design, patent will only be granted to new design, and there shall be no patent application from other unit or individual being submitted to the patent administrative department of the State Council before the relevant date of application and recorded in the patent document published after the date of application. The patents for invention, utility model and exterior design shall be valid for 20 years, 10 years and 10 years, respectively, commencing from the date of application.

Trademark

According to the Trademark Law of the PRC (《中華人民共和國商標法》) promulgated by the Standing Committee of the NPC on August 23, 1982 and subsequently revised on February 22, 1993, October 27, 2001, August 30, 2013 and November 1, 2019, and its implementation rules, trademark shall be registered upon the approval of the Trademark Office. Registered trademarks include commodity trademarks, service trademarks, collective trademarks and certificate trademarks. Owners of the registered trademarks are entitled to the exclusive right to use the trademark with legal protection. A registered trademark shall be valid for 10 years starting from the date of registration. Any registered owner of the trademarks who desires to use the registered trademark continuously after the expiry date shall apply for the renewal of registration in accordance with laws within 12 months before the expiry date. Where no application has been filed within the said period, a grace period of six months may be allowed. The validity period for each renewal shall be ten years commencing from the next day after the expiry of the previous validity period.

COPYRIGHT

Copyright Law

Pursuant to the Copyright Law of PRC (《中華人民共和國著作權法》) (the "Copyright Law") which was promulgated on September 7, 1990, took effect on June 1, 1991 and was last amended on February 26, 2010, works of Chinese citizens, legal entities or other organizations, whether published or not, shall be protected, including computer softwares. Unless provided in laws that exploitation need not be licensed, anyone who exploits a work created by another shall conclude a contract of licensing with the copyright owner. Any acts of infringement shall take criminal or civil liabilities.

Regulation on Computers Software Protection

Pursuant to the Regulation on Computers Software Protection (《計算機軟件保護條例》) which was formulated on June 4, 1991, took effect on October 1, 1991 and was last amended on January 30, 2013, Chinese citizens, legal entities or other organizations enjoy copyright in the software which they have developed, whether published or not. Software copyright owner may register with the software registration institution recognized by the copyright administration department of the State Council, and a registration certificate issued by the software registration institution is a preliminary proof of the registered items. Any acts of infringement, such as publishing or registering a piece of software without the authorization of the software copyright owner, altering or translating a piece of software without the authorization of the software copyright owner, and knowingly circumventing or sabotaging technological measures used by the copyright owner for protecting the software copyright, shall take criminal or civil liabilities.

The information and statistics set forth in this section are based on the industry report commissioned by us and independently prepared by Frost & Sullivan which we refer to as the F&S Report in this prospectus. Certain information is based on other sources, including publications from the government, industry organizations, market statistics providers, communications with PRC government agencies, and other Independent Third Parties. We believe that the sources of such information and statistics are appropriate and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information or statistics are false or misleading in any material respect or that any fact has been omitted in a way that renders the information or statistics false or misleading. Our Directors confirm that after taking reasonable care, they are not aware of any material and adverse changes in the market since the date of the F&S Report which may qualify, contradict, or adversely impact the quality of the information or statistics in this section. The information in the F&S Report was not independently verified by our Company, the Sole Sponsor, any of our or their directors, officers or representatives or any other person involved in the Global Offering and no representation is made as to its accuracy, completeness or fairness. The information in this section should not be unduly relied upon and may be inconsistent with other sources.

SOURCES OF INFORMATION

This section includes information from the F&S Report, a report commissioned by us as we believe such information imparts a greater understanding of the industry. Frost & Sullivan is a global consulting company and an independent third party. Founded in 1961, it has 40 offices worldwide with over 2,000 industry consultants, market research analysts and economists. We have agreed to pay a total of RMB290,000 in fees for the preparation of the F&S Report. Figures and statistics provided in this prospectus and attributed to Frost & Sullivan or the F&S Report have been extracted from the F&S Report and published with the consent of Frost & Sullivan. In preparing the F&S Report, Frost & Sullivan conducted both primary and secondary research to obtain information from various sources. Primary research involved discussing the status of the industry with leading industry participants and industry experts; and secondary research involved reviewing company reports, independent research reports and data based on Frost & Sullivan's own research database. In compiling and preparing the F&S Report, Frost & Sullivan assumed that (1) global social, economic, and political environment are likely to remain stable in the forecast period; (2) the consumer purchasing power is expected to continue to grow rapidly in emerging regions and to grow steadily in developed regions; and (3) related industry key drivers are likely to drive the respective market in the forecast period. All the data and information regarding our Company is provided by us.

CHINA'S TECHNOLOGY AND NEW ECONOMY INDUSTRIES

New economy refers to the aggregation of three new economic activities, namely new industries, new types of operations and new business models. While traditional economy emphasizes standardization and large-scale production and is driven by fundamental needs, the new economy focuses on research and development and services and is driven by innovation.

The new economy industries can be classified into five categories:

- *Intelligent manufacturing*: advanced manufacturing based on advanced technologies or information technologies that are dedicated to providing solutions to, including but not limited to, new energy automobiles, advanced materials and integrate circuits. It serves as the foundation for general technological advancements, and intelligent robots;
- *Eco-solution*: product development, project contracting and other activities that aim at controlling environmental pollution and protecting natural resources, which mainly includes renewable energy, energy saving and recycling;
- *Life sciences & healthcare*: biotechnology, pharmaceuticals, biomedical technologies and devices and other similar fields that devote to various stages of research, development, technology transfer and commercialization;
- *ICT*: information and communication technology, which emphasizes the role of unified communications and the integration of all the technology used to handle telecommunications, broadcast and intelligent building management systems. We also refer to ICT as big data;

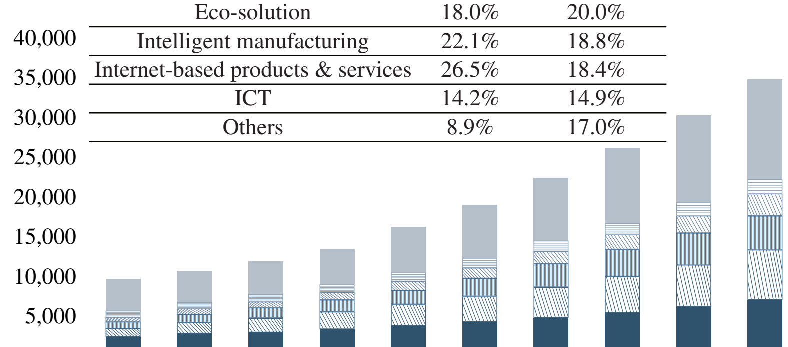
- *Internet-based products & services*: industries with a focus on improving the quality and efficiency of services and products for consumers or offering new consumer products and services by adopting advanced technologies. These businesses typically present at least one of the following features: (1) new target customers with unmet demand, (2) new business models with a combination of innovation, technology, culture, fashion, etc., or (3) new technological advancements that revolutionize consumer acquisition, marketing, supply chain management, etc. those businesses typically offer consumer products and services such as, home appliance, food and beverage, consumer electronics and services for city middle-class consumers. Consumer goods and services experienced significant growth in recent years as a result of the rise of the Chinese middle class and their increasing demands on quality, efficiency and consumer experience. Contemporary home appliance, smart kitchen devices and consumer electronics companies have enhanced the experience of their customers leveraging technologies such as artificial intelligence and internet-of-things. Companies in the food and beverage sector have also improved their customers' dining experiences by launching online applications with different functions, such as allowing customers to customize their own menus according to their personal preferences as well as improving the operational efficiency by taking advantages of smart kitchen devices.

China's technology and new economy industries have experienced rapid growth in the past few years. According to the F&S Report, the market size of China's technology and new economy industries, as measured by the total economic value, increased from RMB9.2 trillion to RMB15.7 trillion from 2014 to 2018, representing a CAGR of 14.4%, which was nearly twice the growth rate of China's GDP during the same periods. Driven by the development of cutting-edge technology and supportive policies, the total economic value added of China's technology and new economy industries is expected to grow to RMB34.3 trillion in 2023, representing a CAGR of 16.9% from 2018 to 2023, which is more than twice the expected growth rate of China's GDP during the same periods. The following graph sets forth the breakdown by subcategories of the historical and projected economic value of China's technology and new economy industries and their growth rates from 2014 to 2023:

China Technology and New Economy Industries Economic Value Added, by five major industries, 2014-2023E

Unit: in billion RMB

	2014-2018	2018-2023E
Life sciences & healthcare	10.0%	10.6%
Eco-solution	18.0%	20.0%
Intelligent manufacturing	22.1%	18.8%
Internet-based products & services	26.5%	18.4%
ICT	14.2%	14.9%
Others	8.9%	17.0%



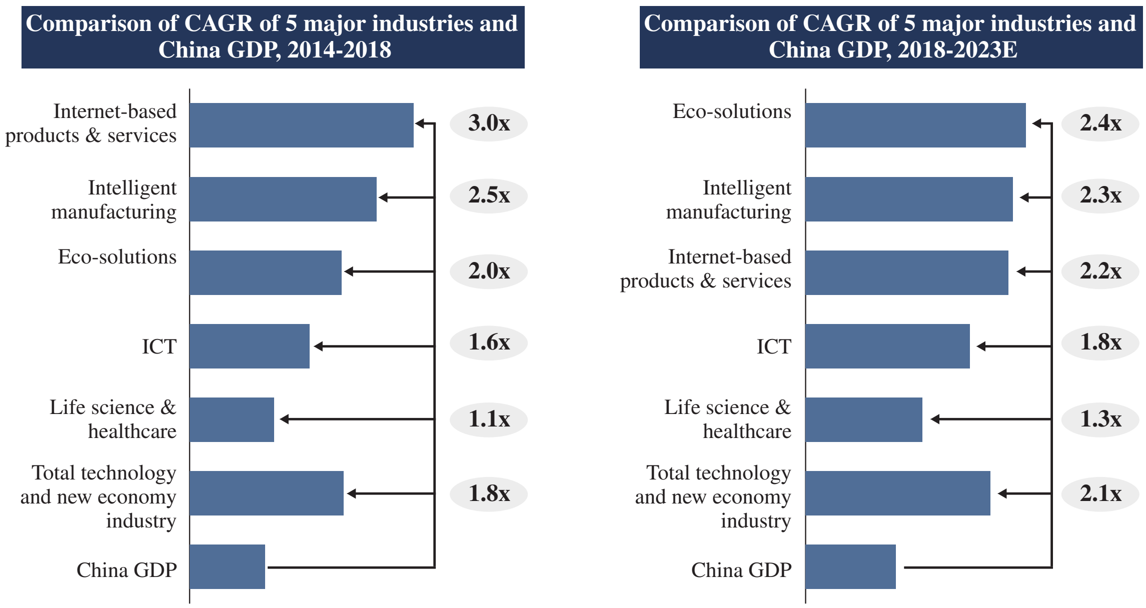
	2014	2015	2016	2017	2018	2019E	2020E	2021E	2022E	2023E
Others(1)	4,078	3,908	4,095	4,449	5,731	6,695	7,886	9,437	11,055	12,576
Life sciences & healthcare	736	806	923	977	1,077	1,191	1,318	1,458	1,613	1,785
Eco-solutions	587	696	832	945	1,139	1,343	1,558	1,843	2,163	2,829
Intelligent manufacturing	810	996	1,223	1,500	1,800	2,250	2,925	3,364	3,868	4,255
Internet-based products and services	1,048	1,400	1,771	2,196	2,684	3,233	3,862	4,560	5,353	6,251
ICT	1,941	2,374	2,515	2,890	3,301	3,777	4,331	4,975	5,724	6,597

ICT | Internet-based products & services | Intelligent manufacturing | Eco-solutions | Life sciences & healthcare | Others*

(1) Others include IoT, education, entertainment, FinTech, housing rental, etc.

Source: National Bureau of Statistics of China, Frost & Sullivan

The following table sets forth the historical CAGR from 2014 to 2018 and expected CAGR from 2018 to 2023 of five major technology and new economy industries and of China's overall GDP.

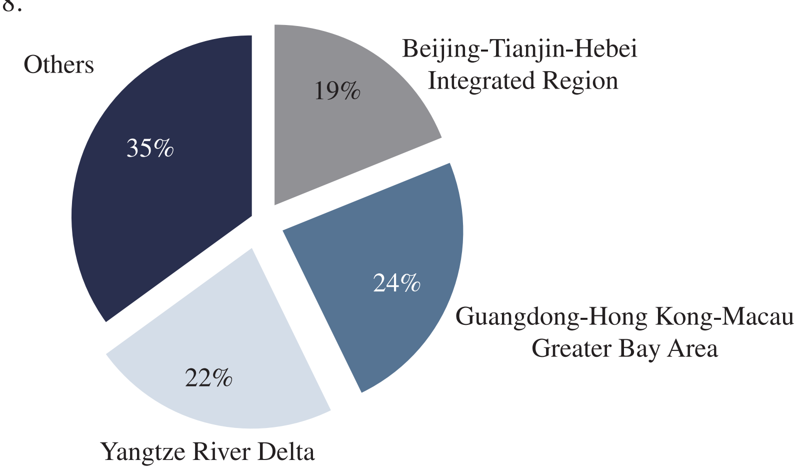


Notes: X.Xx = CAGR of corresponding industry's market size / CAGR of China's GDP during the same period

Source: National Bureau of Statistics of China, Frost & Sullivan

The Beijing-Tianjin-Hebei Integrated Area, Guangdong-Hong Kong-Macau Greater Bay Area and Yangtze River Delta are three of the most concentrated areas in China where technology and new economy companies are located. In terms of technology companies, these three areas account for nearly 65% of high-tech companies recognized by the Science and Technology Bureau, with a total of over 100,000 high-tech companies in 2018. Such concentration indicates that the competitions among high-tech companies in these area are fierce. These three areas also have a strong presence of new economy companies in addition to a high concentration of technology companies.

The following chart sets forth the geographical distribution of high-tech companies in China in 2018.



CHALLENGES FACED BY CHINA'S TECHNOLOGY AND NEW ECONOMY COMPANIES

According to the F&S Report, China's technology and new economy companies generally have high growth potentials. However, they typically have limited retained earnings before successful commercialization of their products and services, which means they normally rely on external funding to finance their operations during their early stages of developments. For the following reasons, it is not uncommon for technology and new economy companies to experience difficulties in obtaining financing from traditional mainstream financial institutions such as commercial banks from time to time.

- *Uncertainty of business models and strategies.* Technology and new economy companies tend to have limited operating histories on average. The lack of past success story makes it difficult for traditional financial institutions to accurately predict the sustainability and prospects of their business models, or to evaluate the feasibility or reasonableness of their expansion strategies.

- *Asset light structure*. Compared to companies in conventional industries, a large number of technology and new economy companies tend to have a relatively asset light structure which predominantly comprises intangible assets, such as patents, copyrights and other intellectual properties. Traditional financial institutions, with their risk management tools geared primarily for and favoring asset heavy businesses, often find it difficult to valuate these light assets as they lack the capabilities and expertise to evaluate whether these companies will be able to convert such assets into core competitive advantages and financial success.
- *Specialized collaterals or leased assets*. The collaterals or leased assets involved in financing transactions with technology and new economy companies tend to be highly specialized. Traditional financial institutions often find it challenging to dispose of collaterals or leased assets in the event of default due to the specialized nature of the collaterals or leased assets and the narrow disposal channel.

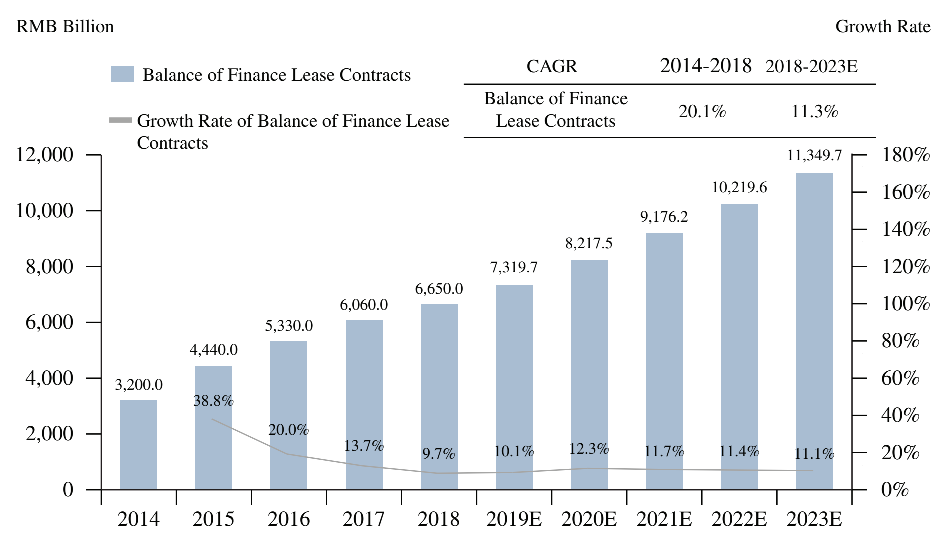
As a solution to the funding challenges, finance leases have gained popularity among China's technology and new economy industries. By separating the ownership rights and usage rights of the leased assets, finance lease companies provide an alternative financing channel to technology and new economy companies which are short of funds but are in urgent need of related materials and equipment. In addition to traditional leases, some finance lease companies are able to customize their lease solutions to better suit the needs and business operations of their customers.

As a solution to the management challenges, certain leading finance lease companies also complement their finance lease solutions with services in management and policy consulting. These value-added services complement finance lease solutions, and create a greater synergistic effect for technology and new economy companies to better facilitate their future growth, according to the F&S Report.

CHINA'S FINANCE LEASE INDUSTRY

China's finance lease industry grew rapidly in recent years in terms of both market size and operating revenue. According to the F&S Report, the market size of China's finance lease market, as measured by the balance of finance lease contracts, increased from RMB3.2 trillion in 2014 to RMB6.7 trillion in 2018, representing a CAGR of 20.1%. During the same period, the operating revenue of China's finance lease industry increased in line with the growth of contract balance, up from RMB163.3 billion to RMB389.4 billion at a CAGR of 24.3%. According to the F&S Report, driven by continuous industry upgrades and increasing investment in fixed assets, the balance of China's finance lease contracts is expected to further grow to RMB11.3 trillion in 2023, representing a CAGR of 11.3% from 2018 to 2023. Driven by the specialization, strategic expansion and increase in bargaining power of the finance lease industry, the operating revenue of finance lease companies is expected to grow to RMB721.3 billion in 2023, representing a CAGR of 13.1% from 2018 to 2023. The following graphs set forth the historical and projected balance of finance lease contracts and operating revenue of China's finance lease industry and their growth rates from 2014 to 2023.

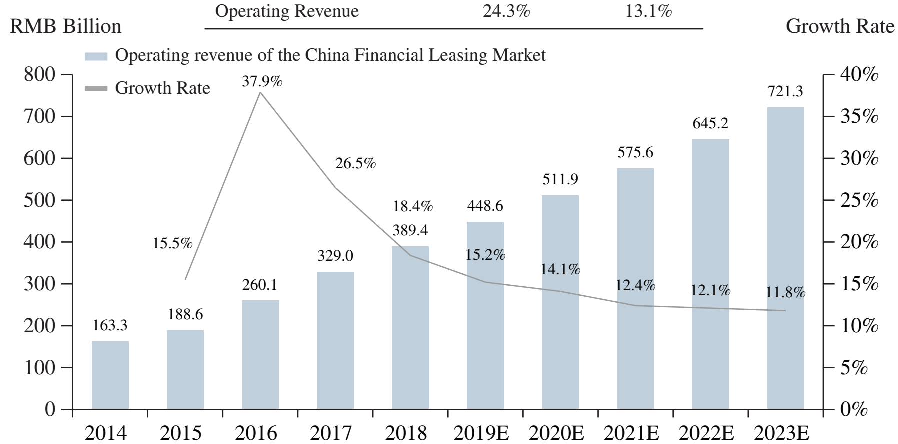
Balance of Finance Lease Contracts, China (2014-2023E)



Source: China Leasing Alliance, Frost & Sullivan

Operating Revenue of China Financial Leasing Industry (2014-2023E)

CAGR	2014-2018	2018-2023E
Operating Revenue	24.3%	13.1%



Source: National Bureau of Statistics of the PRC, Frost & Sullivan

The development of China's finance lease industry is primarily driven by the following factors:

Strong growth potential underpinned by low penetration rate. China's finance lease industry is still at an early development stage and has a comparatively low penetration rate than other countries, which creates great growth potential. According to the F&S Report, the penetration rate of the China's finance lease market was 6.8% in 2017, which is much lower than that in the United States, the United Kingdom and Germany at 21.6%, 32.4% and 17.2%, respectively. The relatively low penetration rate, accompanied by favorable government policies and emergence of foreign-funded leasing companies, offers considerable room for growth.

Deficiency of traditional financing tools. The traditional financing tools in China cannot meet the increasing domestic financing demand underserved by the traditional mainstream financial institutions, which allows the finance lease industry to capitalize on such market opportunities. Due to the strict credit lending criteria and long approval procedures at commercial banks, traditional bank credits cannot satisfy all the financing demands, particularly those from smaller companies. Finance lease, as an alternative financing solution, can offer the following four advantages. First, finance lease transactions typically consume less time, which means lessees can receive funding support more quickly than from other financing transactions. Second, finance leases typically have low requirements on guarantee or collaterals from lessees. Third, the lease terms are on average longer than the credit periods of financing transactions such as short-term bank loans. Lastly, finance lease solutions can be designed to match the lessees' cash inflow from its operations or other sources with its periodic lease payment obligations.

Development of real economy. The development of China's real economy is essential to the rise of China's finance lease industry. To better serve the real economy, the Chinese government has affirmed the significant role of finance lease in meeting the diverse financing needs for medium, small and micro enterprises, whose growth pursuant to the introduction of "Mass Entrepreneurship and Innovation" in turn generated abundant business opportunities for the finance lease industry.

Technology and new economy industries in China have experienced robust growth recently, as China has been forging ahead with its ambitions to shift the development mode from scale-oriented to quality-oriented. However, the shift has also introduced fluctuations to China's overall macroeconomic conditions and brought considerable uncertainties and challenges to companies in technology and new economy industries at a microeconomic level, as a result of constantly evolving regulatory environment, market demands, competitive landscapes, subsidy policy, financing environments, etc.

Supply-side structural reform and IT revolution. Pursuant to the mandates of the supply-side structural reform that eliminates excessive capacity and promotes innovation and efficiency, companies are motivated to increase investment in replacement and upgrades of more advanced equipment, which creates strong demand for finance lease on the supply-side. In addition, the IT revolution accelerates the upgrades of equipment and creates a dual need of financing and equipment purchasing at the same time, which can be well captured by the finance lease solutions.

Positive regulatory environment. The Chinese government has implemented a series of supportive policies for the development of China's finance lease industry, including favorable access conditions, key areas of development, financing channels and tax policies. For instance, in 2015, the PRC State Council issued the Guiding Opinions on Accelerating the Development of the Finance lease Industry (《關於加快融資租賃業發展的指導意見》), which encouraged the finance lease companies to play an important role in the development of real economy. The supervision of finance lease industry in China is also becoming more stringent to cultivate a healthy market environment. In addition, regions with high penetration rates of finance lease in China have adopted facilitating measures for the regional development of finance lease industry.

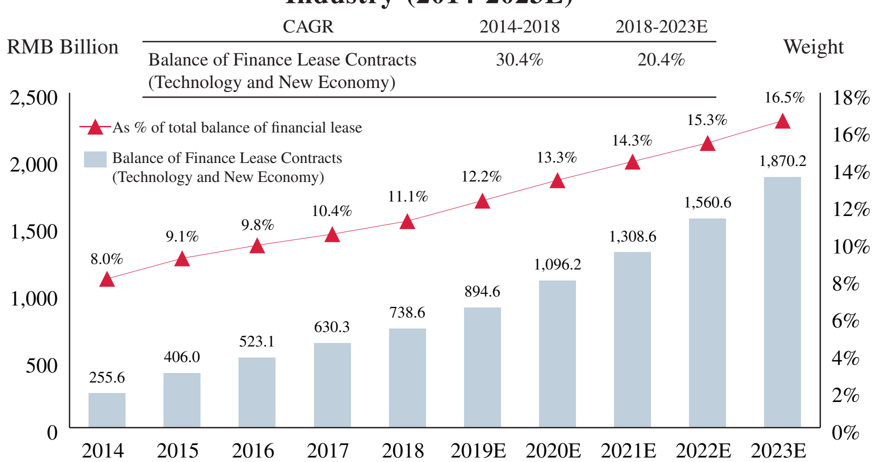
PBOC benchmark interest rates. Finance lease companies in China generally price their financial products based on the PBOC benchmark interest rates plus a spread and are therefore affected by the adjustments to the PBOC benchmark interest rates. From October 24, 2015 to the Latest Practicable Date, no adjustment has been made to the PBOC benchmark interest rates.

CHINA'S TECHNOLOGY AND NEW ECONOMY FINANCE LEASE INDUSTRY

Technology and new economy finance lease refers to the targeted financing to technology and new economy companies through finance lease solutions and other relevant value-added services to facilitate their growth. Finance lease companies with a focus on technology and new economy companies first appeared in China in 2012 and are still at an early development stage.

According to the F&S Report, the balance of China's finance lease contracts in the technology and new economy finance lease industry is expected to further grow to RMB1.9 trillion in 2023, representing a CAGR of 20.4% from 2018 to 2023, and the operating revenue of technology and new economy finance lease companies is expected to grow to RMB118.9 billion in 2023, representing a CAGR of 22.4% from 2018 to 2023. The following graphs set forth the historical and projected balance of finance lease contracts and operating revenue of technology and new economy finance lease industry and their growth rates from 2014 to 2023.

Balance of Contracts of China Technology and New Economy Financial Leasing Industry (2014-2023E)



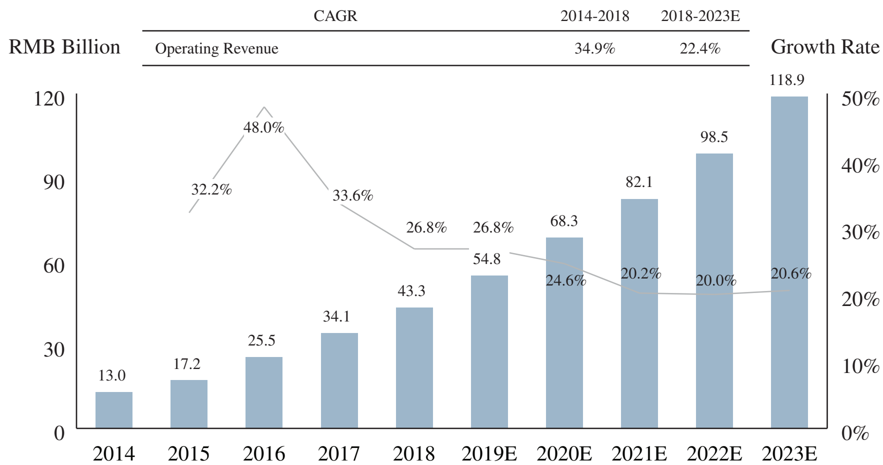
Source: Frost & Sullivan

The following table sets forth the actual balance of contracts of technology and new economy finance lease companies in China by industry from 2014 to 2018 and the expected balance from 2019 to 2023.

	2014	2015	2016	2017	2018	2019E	2020E	2021E	2022E	2023E
						(RMB in billions)				
Eco-solutions	20.8	32.8	43.3	48.5	51.6	58.8	67.3	75.9	86.2	99.3
Internet-based products & services	16.5	28.0	38.7	46.4	54.0	65.6	78.9	95.0	114.5	155.8
ICT	22.5	39.7	56.3	73.0	84.5	108.9	146.6	171.7	202.7	232.1
Life sciences & healthcare	29.7	56.9	83.2	109.0	128.5	159.6	197.4	237.4	286.2	347.7
Intelligent manufacturing	56.6	99.4	121.6	147.6	162.7	191.9	227.9	266.6	315.0	377.7
Others(1)	109.5	149.2	180.0	205.8	257.3	309.8	378.1	462.0	556.0	657.6
Total	255.6	406.0	523.1	630.3	738.6	894.6	1,096.2	1,308.6	1,560.6	1,870.2

(1) Include contract balances other than the five industries listed in the table.

Operating Revenue of China Technology and New Economy Financial Leasing Industry (2014-2023E)



Source: Frost & Sullivan

The following table sets forth the actual operating revenue of technology and new economy finance lease companies in China by industry from 2014 to 2018 and the expected operating revenue from 2019 to 2023.

	2014	2015	2016	2017	2018	2019E	2020E	2021E	2022E	2023E
					(RMB in billions)					
Eco-solutions	1.1	1.4	2.2	2.7	3.1	3.7	4.3	4.9	5.6	6.4
Internet-based products & services	0.8	1.2	1.9	2.5	3.1	4.0	4.9	5.9	7.2	9.8
ICT	1.1	1.7	2.7	3.9	4.9	6.6	9.0	10.7	12.7	14.6
Life sciences & healthcare	1.5	2.5	4.1	6.0	7.7	10.0	12.5	15.2	18.4	22.5
Intelligent manufacturing	3.0	4.3	6.1	8.2	9.8	12.1	14.6	17.2	20.5	24.7
Others[1]	5.5	6.1	8.5	10.8	14.7	18.4	23.0	28.2	34.1	40.9
Total	13.0	17.2	25.5	34.1	43.3	54.8	68.3	82.1	98.5	118.9

(1) Include operating revenues of companies other than the five industries listed in the table.

The development of China's technology and new economy finance lease industry is primarily driven by the following factors:

Rapid growth of finance lease companies and increasing penetration rate. The technology and new economy finance lease industry has been developing under the background of the overall expansion of the finance lease industry. The number of finance lease companies in China increased from 2,045 units to 11,777 units in 2018 at a CAGR of 54.9%, which furnishes a vibrant market environment. In addition, the fixed asset penetration rate and GDP penetration rate relating to lease contracts increased from 6.38% and 4.97% in 2014 to 9.59% and 7.33% in 2018, respectively, which reflects the widened adoption of finance lease solutions in China.

Strong demand created by supply-side structural reform and asset-light model. The focus of the supply-side structural reform is to speed up the innovation-driven development and to optimize production efficiency by re-allocating economic resources. The utilization of excess industrial capacity is a major pillar of supply-side structural reform and one of the most emphasized aspects of such reforms since their beginning. In recent years, the prices, utilization rate of industrial capacity, and industrial profits of a number of traditional industries fell, such as traditional manufacturing and energy industry. The technology and new economy finance lease industry has benefited from the business opportunities generated by the supply-side structural reform, which motivates companies to replace and upgrade old equipment, increase investment, and thus to seek financing solutions and create strong financing demands. In particular, technology and new economy finance lease companies can capitalize on the demand from the asset-light model adopted by internet companies, as their financing solutions can fulfil the companies' dual needs of financing and equipment purchasing at the same time and minimize capital pressure. In addition, the IT revolution accelerates the equipment upgrade cycle, which benefit equipment lease industry as it can satisfy the dual needs of financing and equipment purchasing at the same time, minimizing the funding pressures that result from equipment replacement, and optimizing the turnover and efficiency of equipment in operations.

Supportive government policies. Accord to the F&S Report, the State Council promulgated the following key government policies in support of technology and new economy industries.

- *Made in China 2025 (《中國製造2025》)*. Issued in May 2015, this policy aims to upgrade the manufacturing capabilities of industries, especially higher value-added sectors, such as robotics, aerospace and energy-saving vehicles;
- *The 13th Five-Year Plan for the National Economic and Social Development of the People's Republic of China (《中華人民共和國國民經濟和社會發展第十三個五年規劃綱要》)*. Issued in June 2016, this plan centers on developments driven by technological innovations and entrepreneurship in sectors such as semi-conductors, robotics, intelligent systems and next-generation aviation equipment.

Other notable government policies include Guiding Opinions on Actively Propelling the Internet+ Action (《關於積極推進互聯網+行動的指導意見》) and Notice on the "13th Five-Year" Plan for National Strategies Emerging Industry Development (《"十三五"國家戰略性新興產業發展規劃的通知》).

Development of technology and new economy companies. The technology and new economy finance lease industry serves technology and new economy companies, whose growth is crucial to the development of the former. Technology and new economy companies need funds both in their start-up stage and in their expansion and commercialization stage. However, they may encounter difficulties in obtaining sufficient bank loans. Thus, they may turn to technology and new economy finance lease companies for solutions, which have less demanding requirements and more attractive terms such as lower requirements on guarantees and collaterals, longer lease terms and lower overall funding costs.

COMPETITIVE LANDSCAPE OF CHINA'S TECHNOLOGY AND NEW ECONOMY FINANCE LEASE INDUSTRY

There are three types of market players in the finance lease industry, according to the F&S Report.

- *Finance lease companies approved by CBIRC and CBRC.* This type of finance lease companies were established under the approval of CBRC or CBIRC, which are generally established by domestic and foreign commercial banks. As of December 31, 2018, there were 69 finance lease companies approved by the CBRC or CBIRC and their total finance lease contract balance was approximately RMB2.5 trillion.
- *Foreign-funded finance lease companies*. This type of companies were typically foreign-invested companies engaged in finance lease business. As of December 31, 2018, there were 11,311 foreign-funded finance lease companies and their total finance lease contract balance was approximately RMB2.1 trillion.
- *Domestic-funded finance lease pilot companies.* This type of companies are pilot companies jointly approved by MOFCOM and SAT. As of December 31, 2018, there were 397 domestic-funded finance lease companies and their total finance lease contract balance was approximately RMB2.1 trillion.

The following table sets forth key players in the technology and new economy finance lease industry among the three types of finance lease companies described above in terms of revenue generated from technology and new economy companies in 2018, according to F&S Report.

Ranking	Company	Type	Revenue in 2018
			(RMB in millions)
1	Competitor A(1)	MOFCOM approved	4,004.1
2	Competitor B(2)	MOFCOM approved	2,737.8
3	Competitor C(3)	MOFCOM approved	860.3
4	Competitor E(4)	CBIRC approved	690.2
5	Competitor D(5)	MOFCOM approved	618.7
6	Competitor F(6)	CBIRC approved	583.1
7	Competitor G(7)	CBIRC approved	488.0
8	Our Company	MOFCOM approved	395.2

(1) Competitor A is a leading financial company headquartered in Hong Kong focusing on China's infrastructure industry. It provides integrated finance, investment, trade, advisory and lease services in healthcare, packaging, transportation, infrastructure construction, industrial machinery, education, textiles, electronic information, as well as other sectors such as ship brokerage and chartering services. Competitor A is listed on the Main Board of the Stock Exchange.

(2) Competitor B is a subsidiary of a leading insurance company headquartered in Shanghai. Competitor B is principally engaged in finance lease business. Its holding company is listed on the Shanghai Stock Exchange A-share market in China, as well as Main Board of the Stock Exchange.

(3) Competitor C is the sole leasing platform and one of the key strategic segments of a leading securities firm in China and its businesses comprise finance lease, operating lease, factoring, entrusted loans and other loans, as well as advisory services. Competitor C is listed on the Main Board of the Stock Exchange.

(4) Competitor E is a state-owned non-banking financial institution mainly engaged in financial leasing business headquartered in Nanjing. It is listed on the Shanghai Stock Exchange A-share market in China.

(5) Competitor D is one of the first specialized finance lease solutions providers in China headquartered in Beijing. It is engaged in the provision of financial products and services, including finance leases, operating leases, and commercial factoring. Competitor D was established in 1989 and is a private company.

(6) Competitor F is a subsidiary of a leading bank listed on the Shanghai Stock Exchange A-share market in China. Competitor F is headquartered in Tianjin, and principally engaged in financial lease business.

(7) Competitor G, headquartered in Shanghai, is a subsidiary of a leading bank. Its holding company is listed on the Shanghai Stock Exchange A-share market in China, as well as the Main Board of the Stock Exchange. Competitor G is mainly engaged in the provision of financial leasing, operating leasing, and advisory services.

In 2018, in the Beijing-Tianjin-Hebei Integrated Area, we rank the third among companies focusing on technology and new economy industries in terms of revenue from technology and new economy companies. The market was relatively concentrated in 2018. The following table sets forth the top finance lease companies focusing on serving technology and new economy industries in the Beijing-Tianjin-Hebei Integrated Area in terms of 2018 regional revenue.

Ranking	Company	Regional revenue in 2018	Regional market share
		(RMB in millions)	
1	Competitor A[(1)]	652.7	15.2%
2	Competitor B[(1)]	461.2	10.7%
3	Our Company	247.0	5.8%
4	Competitor D[(1)]	156.7	3.6%
5	Competitor C[(1)]	125.3	2.9%

(1) For the background of the competitors stated above, see notes to the ranking table above.

In the same year, we were still in the early stage of development in the Yangtze River Delta Area. Our revenue generated technology and new economy companies from the Yangtze River Delta Area amounted to RMB40.1 million. The market was relatively concentrated in 2018. The following table sets forth the top finance lease companies focusing on serving technology and new economy industries in the Yangtze River Delta Area in terms of 2018 regional revenue from technology and new economy companies.

Ranking	Company	Regional revenue in 2018	Regional market share
		(RMB in millions)	
1	Competitor A[(1)]	903.4	10.5%
2	Competitor B[(1)]	692.8	8.1%
3	Competitor C[(1)]	243.6	2.8%
4	Competitor E[(1)]	213.4	2.5%
5	Competitor H[(2)]	138.5	1.6%

(1) For the background of the competitors stated above, see notes to the ranking table above.

(2) Competitor H is established in 2015 by a bank as the main sponsor with other industrial shareholders. It is headquartered in Shanghai and is a private company. Competitor H is mainly engaged in the provision of financial leasing and advisory services.

In 2018, our revenue generated from technology and new economy companies from the Guangdong-Hong Kong-Macau Greater Bay Area amounted RMB9.7 million. The market was relatively concentrated in 2018. The following table sets forth the top finance lease companies focusing on serving technology and new economy industries in the Guangdong-Hong Kong-Macau Greater Bay Area in terms of 2018 regional revenue from technology and new economy companies.

Ranking	Company	Regional revenue in 2018	Regional market share
		(RMB in millions)	
1	Competitor A[(1)]	553.0	13.5%
2	Competitor B[(1)]	387.5	9.5%
3	Competitor C[(1)]	141.7	3.5%
4	Competitor D[(1)]	92.0	2.3%
5	Competitor E[(1)]	72.4	1.8%

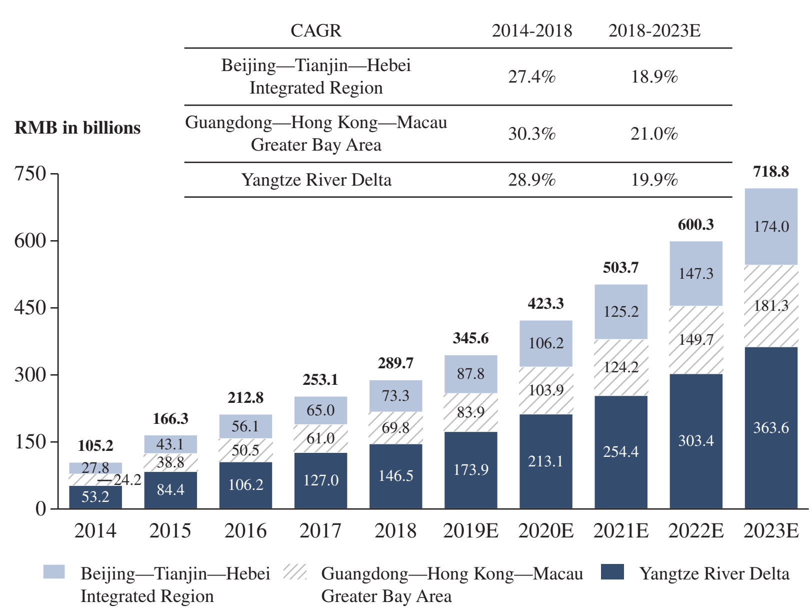
(1) For background of the abovementioned competitors, see notes to the ranking table above.

We are a domestic-funded finance lease pilot company. Compared to foreign-funded and finance lease companies approved by CBRC or CBIRC, we demonstrate the following characteristics.

- *Nature.* Domestic-funded finance lease pilot companies are established by domestic enterprises with strong financial position. Finance lease companies approved by CBRC or CBIRC are those with financial licenses are generally established by domestic and foreign commercial banks, large domestic manufacturing enterprises, foreign finance lease companies and other institutions recognized by CBRC and CBIRC. Foreign-funded finance lease companies refer to finance lease companies sponsored and established by foreign investors.
- *Registered capital.* The registered capital requirement for domestic-funded finance lease pilot companies and finance lease companies approved by CBRC or CBIRC are RMB170.0 million and RMB100.0 million, respectively, while there is no registered capital requirements for foreign-funded finance lease companies.
- *Leverage ceiling.* Capital adequacy for finance lease companies approved by CBRC or CBIRC shall not be lower than 8%, while for domestic-funded finance lease pilot companies and foreign-funded finance lease companies, the risk assets shall not exceed ten times of their net assets.

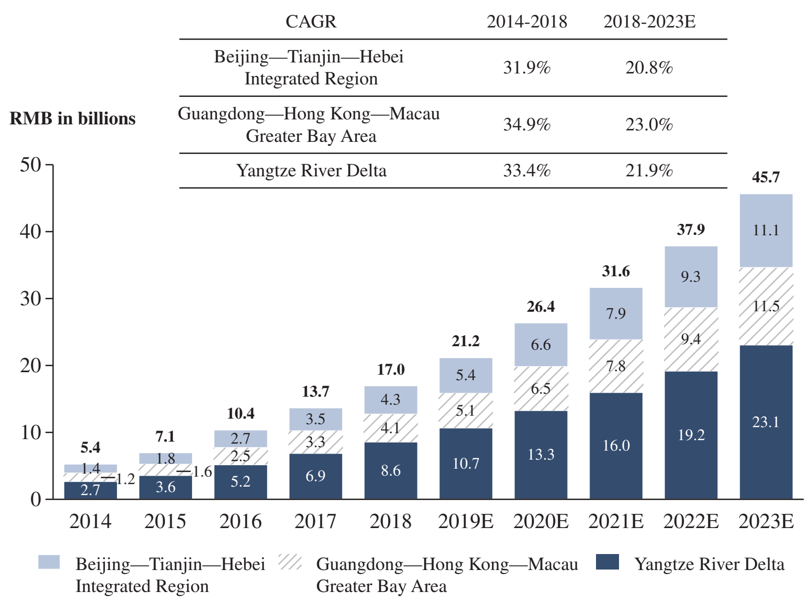
We believe that demand for finance lease solutions from China's technology and new economy companies remain large and the competitive landscape of China's technology and new economy finance lease industry is fragmented, according to the F&S Report. The following tables sets forth the actual and expected demands for finance lease solutions in our key target markets in terms of finance lease agreement balance and operating revenue of key players during the years indicated.

Balance of Contracts of China's Technology and New Economy Finance Lease Industry by three major regions, 2014-2023E



Source: Frost & Sullivan

Operating Revenue of China's Technology and New Economy Finance Lease Industry by three major regions, 2014-2023E



Source: Frost & Sullivan

In 2018, the technology and new economy finance lease revenue of the top five technology and new economy finance lease companies approved by MOFCOM accounted for 19.8% of the technology and new economy finance lease revenue of all technology and new economy finance lease companies in China. According to the F&S Report, we are the most dedicated finance lease company in serving technology and new economy companies in terms of revenue in 2018 generated from technology and new economy companies. In 2018, the percentage of our revenue generated from technology and new economy companies exceeded 95%, a percentage higher than any other finance lease company in China, according to the F&S Report. We are also the fifth largest finance lease company approved by MOFCOM and serving more than four technology and new economy sectors in terms of revenue generated from technology and new economy companies in 2018, according to the F&S Report.

Rank	Company	Technology and new economy finance lease Revenue	Market share in China's technology and new economy financial lease industry	Proportion of technology and new economy revenue to total revenue
		(RMB in millions)		
1	Competitor A[(1)]	4,004.1	9.2%	15.7%
2	Competitor B[(1)]	2,737.8	6.3%	16.7%
3	Competitor C[(1)]	860.3	2.0%	16.1%
4	Competitor D[(1)]	618.7	1.4%	25.4%
5	Our Company	395.2	0.9%	95.7%

(1) For background of the abovementioned competitors, see notes to the ranking table above.

The following table sets forth key operating data of leading finance lease market players during the Track Record Period, according to the F&S Report.

	NPA				Asset at risk to equity ratio				Debt to equity ratio[(2)]			
	As of December 31,			As of June 30,	As of December 31,			As of June 30,	As of December 31,			As of June 30,
	2016	2017	2018	2019	2016	2017	2018	2019	2016	2017	2018	2019
Competitor A[(1)]	0.99%	0.91%	0.96%	1.04%	6.55	6.61	7.01	6.60	5.70	5.25	5.80	5.45
Competitor B[(1)]	1.04%	0.91%	0.89%	1.02%	7.97	7.20	7.33	7.25	5.60	5.31	5.55	5.50
Competitor C[(1)]	1.10%	0.93%	0.94%	0.96%	4.20	4.89	6.02	5.42	2.74	3.44	4.52	4.04
Our Company	0.69%	1.54%	1.31%	1.39%	6.94	3.88	4.38	4.42	6.31	3.16	3.64	3.71

(1) For background of the abovementioned competitors, see notes to the ranking table above.

(2) Calculated by dividing total liabilities by total equity as of each years or periods end date.

Source: F&S Report and the Company's financial record.

Entry Barriers and Keys to Succeed in Serving Technology and New Economy Companies

There are significant entry barriers for potential new players in the technology and new economy finance lease industry, according to the F&S Report:

Funding barrier. Finance lease companies need sufficient amount of available funding to serve the liquidity and capital needs of technology and new economy companies. New finance lease companies need to acquire sufficient amount funding in order to achieve sizeable business volume.

Business barrier. To control the business risks and better serve the needs of their customers, technology and new economy finance lease companies need to have strong business expertise and experience relating to technology and new economy, which is difficult for new entrants to develop in a short time.

Talent barrier. Professional talents with strategic investment foresight and profound investment knowledge are crucial to the success of technology and new economy finance lease companies. However, the recruitment and retention of such talents entail significant resources which are not available to many new entrants.

In addition to overcoming the abovementioned entry barriers, new finance lease companies must also be able to tackle the following challenges faced by technology and new economy companies in order to share in their great growth potentials and successfully compete.

- *Business model and strategy*. It is necessary for successful finance lease companies to have access to sufficient information on the business models and strategies of other technology and new economy companies, and possess the appropriate risk management structure, policies, procedures and tools to appraise and predict the sustainability of potential customers' business models and to evaluate the feasibility and reasonableness of potential customers' business strategies.
- *Financial performance.* To accurately predict the revenue generating capabilities and profitability prospects of technology and new economy companies, successful finance lease companies must have a robust risk management structure with experienced personnel and specialized functional teams. They must be equipped with risk assessment tools that can effectively and efficiently analyze the qualitative and quantitative business and financial factors of technology and new economy companies.
- *Asset structure.* Successful finance lease companies must be able to accurately assess whether the intangible assets of technology and new economy companies, including patents, copyrights and other intellectual properties, can lead to commercial success. It is necessary to have a specialized staff with industry and technical experience in the various technology and new economy sectors, and the appropriate risk management tools to analyze the qualitative and quantitative factors of such intangible assets.
- *Specialized leased assets.* Due to the technical and specialized nature of leased assets in connection with finance leases with technology and new economy companies, successful finance lease companies must be able to have access to a liquid secondary market in which they can effectively dispose of leased assets in case of customer default in order to minimize their risk exposures.

In addition to solving technology and new economy companies' financing difficulties, successful players must also be able to solve their management difficulties by offering management and policy consulting which complements finance lease solutions in facilitating their growth.

LEASE AND INVESTMENT BUSINESS MODEL

Some finance lease companies have started to adopt the lease and investment business model in recent years. We currently have not adopted such business model, however, going forward depending on market development, we may consider adopting the lease-and-investment business model. Under this model, finance lease companies offer both equity and debt financing options to customers, which yielded higher return and more competitive advantages. Lessees, on the other hand, are able to keep their financing costs low without having to dilute their founders' shareholding.

A relative new business model, the lease and investment business model could be relevant to us as the model can be integrated with the various finance lease solutions we currently offer, such as direct lease and sale-and-leaseback. Under this model, the market-based value of a lessee is evaluated at the beginning of a lease agreement. Within the agreement terms, the lessor has the right to either own a small amount of stock warrant of the lessee or carry out the debt-to-equity swap when the latest market-based value is higher than the one assessed initially. Thus the lessor gains the investment income through transferring the stock warrant or equity.

The benefits of the leasing and investment business model are threefold: for lessees, they are able to get access to and sustainably retain low-cost financing without serious dilution in their equity interests; for lessors, they are able to acquire new competitive advantages and gain higher investment income; for investors, they are able to secure high-quality customer resources with low investment risk.

The lease and investment business model also carries certain risks.

- *Higher requirement for risk management.* Equity investment has the characteristic of risk sharing and benefit sharing, which requires the lessor to have higher risk assessment and control capabilities.
- *Lack of relevant laws and regulations.* Many potential legal issues could potentially arise under this model, as currently there is no clear and relevant laws or regulations in place.
- *Immature credit evaluation system.* The current credit evaluation system of light assets such as intellectual property rights and data is still underdeveloped, making it challenging to evaluate their credit worthiness when offered as collateral for mortgage or credit applications.

OVERVIEW

Our 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. Our Group is principally engaged in provision of finance lease solutions and advisory services to technology and new economy companies in China.

OUR HISTORY

The Establishment and Corporate Development of our Predecessor

On November 27, 2012, our predecessor, Zhongguancun Science-Tech Leasing (Beijing) Co., Ltd. (中關村科技租賃(北京)有限公司), was established in Beijing, China by ZGC Group and other shareholders with a registered capital of RMB500 million. The following table sets forth our shareholding structure upon incorporation.

Shareholder	Registered capital held by our Shareholders	Shareholding percentage
	(RMB in million)	*(%)*
ZGC Group	300.00	60.00
Chaoyang SCOMC	50.00	10.00
Wangjing Development	50.00	10.00
Nanshan Capital	50.00	10.00
Beijing Originwater	30.00	6.00
ZGC Finance	20.00	4.00

Each of ZGC Group, Chaoyang SCOMC, Wangjing Development and ZGC Finance was then and is, as of the Latest Practicable Date, a state-owned enterprise. Beijing Originwater is a company listed on the Shenzhen Stock Exchange (stock code: 300070) and primarily engaged in water processing businesses. Nanshan Capital is primarily engaged in equity investment.

On January 31, 2013, MOFCOM and SAT issued "Notifications on the Confirmations and Cancellations of Interim Business Qualifications of Domestic Finance Lease Companies" (《關於確認及取消有關企業內資融資租賃業務試點資格的通知》) which granted us approval to operate our finance lease business, and we thereby commenced operation.

On November 8, 2013, our predecessor was renamed as Zhongguancun Science-Tech Leasing Ltd. (中關村科技租賃有限公司).

On March 21, 2017, Nanshan Capital entered into an equity transfer agreement to transfer 0.01% of the registered capital of our predecessor to Beijing Originwater for a consideration of RMB68,041.95, which was settled on April 10, 2017. The consideration was determined with reference to the then registered share capital. After such equity transfer, the shareholding structure of our predecessor was as follows.

Shareholder	Registered capital held by our Shareholders	Shareholding Percentage
	(RMB in million)	*(%)*
ZGC Group	300.00	60.00
Chaoyang SCOMC	50.00	10.00
Wangjing Development	50.00	10.00
Nanshan Capital	49.95	9.99
Beijing Originwater	30.05	6.01
ZGC Finance	20.00	4.00

In September 2017, our registered capital was increased from RMB500 million to RMB1 billion by contribution from all the then shareholders on a pro rata basis.

Our Business Milestones

The following table illustrates the key milestones of our business development.

Time	Milestone
November 2012	Our predecessor, Zhongguancun Science-Tech Leasing (Beijing) Co., Ltd. (中關村科技租賃(北京)有限公司), was established in Beijing.
July 2013	We completed our first financial leasing business with a lease principal amount at RMB20 million.
December 2013	Our lease principal exceeded RMB600 million and recorded profits for the year of 2013.
August 2015	We issued our Phase 1 ABS as the first ABS with the concept of “science-technology leasing” in the PRC.
September 2017	Our registered capital was increased to RMB1 billion.

Time	Milestone
December 2017	Our accumulative lease principal exceeded RMB10 billion.
	We are recognized as the "Fastest Growing Finance Lease Company of the Year (年度最具成長性租賃公司)" by Financial News (《金融時報》).
December 2018	We launched our principal client credit rating model.
March 2019	The accumulative number of our lessees exceeded 700 and our accumulative lease principal reached RMB14.6 billion.
August 2019	Our Company was reorganized into a joint stock company with limited liability, and was renamed as Zhongguancun Science-Tech Leasing Co., Ltd.

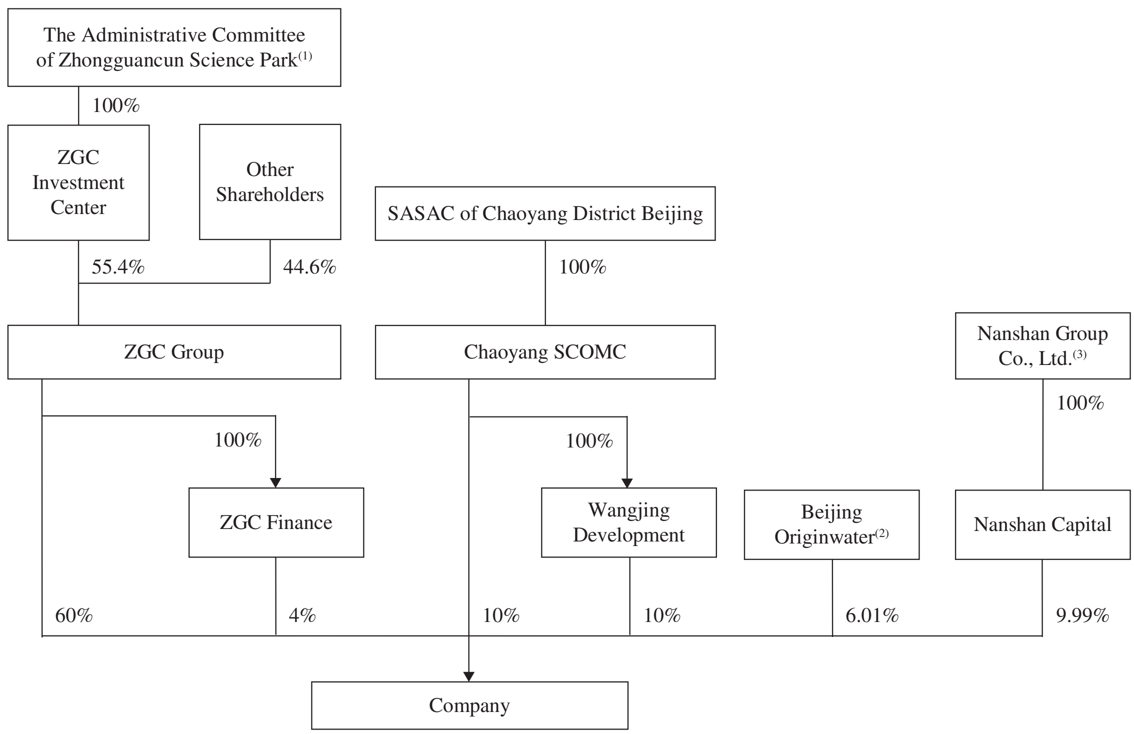
Our Joint-stock Reform

On August 13, 2019, all six shareholders of our Company, being our promoters, carried out our joint-stock reform, and conducted an independent audit of its net assets as of December 31, 2018. In accordance with the audit report, the net assets of our Company as of December 31, 2018 were approximately RMB1,287.76 million, among which RMB1,000 million was recorded as the registered capital, RMB35 million of undistributed profits was declared as dividends for the year of 2018 and the remaining was recorded as capital reserve. We were incorporated under the name of Zhongguancun Science-Tech Leasing Co., Ltd. (中關村科技租賃股份有限公司) with a registered capital of RMB1,000 million and the promoters maintained the same shareholding in our Company prior to the joint-stock reform. On August 16, 2019, we received a new business license from the Market Supervision Administration of Chaoyang District, Beijing (北京市朝陽區市場監督管理局).

As advised by our PRC legal advisors, all necessary consents, approvals, authorizations and permissions required to be obtained for our joint-stock reform have been obtained, and all the required steps for our joint-stock reform have been duly completed pursuant to the applicable PRC laws, regulations and rules.

CORPORATE STRUCTURE

As of the Latest Practicable Date, our Company did not have any subsidiary and is the only operating entity. Set forth below is our corporate structure as of the Latest Practicable Date before the completion of the Global Offering.

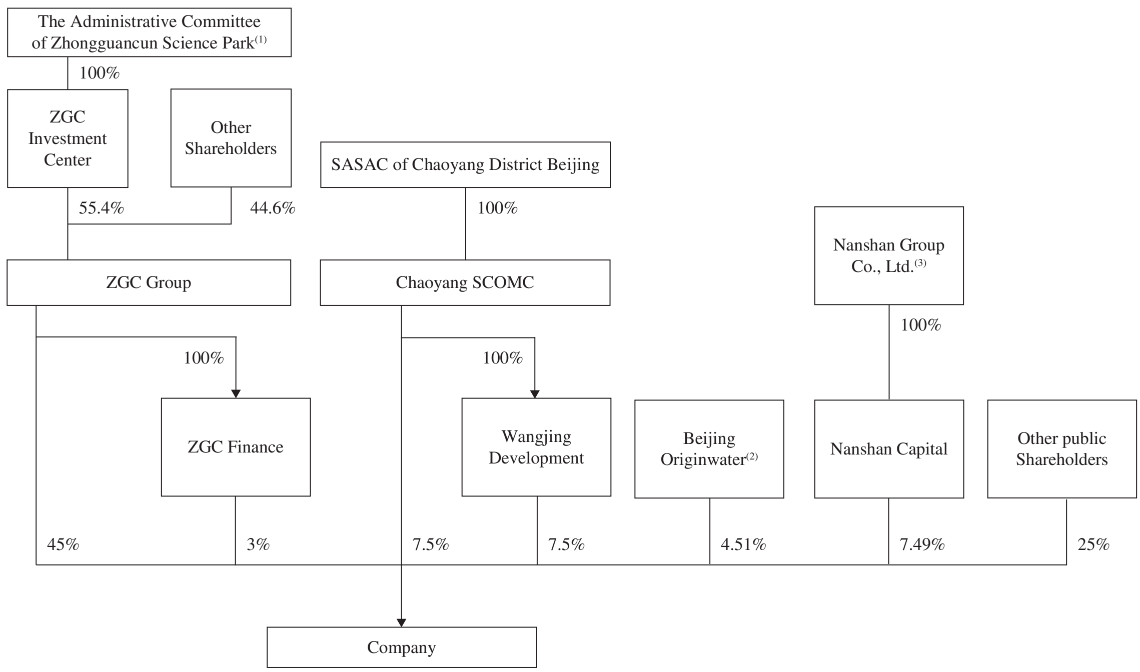


(1) The Administrative Committee of Zhongguancun Science Park is a municipal governmental agency which oversees the affairs of Zhongguancun Science Park.

(2) The controlling shareholder of Beijing Originwater is WEN Jianping (文劍平), an Independent Third Party.

(3) Nanshan Group Co., Ltd. (南山集團有限公司) is owned as to 51% by Nanshan Villagers' Committee of Dongjiang Street, Longkou City (龍口市東江街道南山村村民委員會) and 49% by Mr. Zuowen Song (宋作文), both are Independent Third Parties.

The corporate structure of our Group immediately upon the completion of the Global Offering (assuming the Over-allotment Option is not exercised) is as follows.



See Notes (1) to (3) to the chart above.

OUR MISSION

Our mission is to offer efficient finance lease solutions and financial services to China's technology and new economy companies to facilitate their growth at different stages.

OVERVIEW

We are a pioneer and the most dedicated finance lease company in serving technology and new economy companies in China in terms of the percentage of revenue in 2018 generated from technology and new economy companies, according to the F&S Report. In 2018, the percentage of our revenue generated from technology and new economy companies exceeded 95%, a percentage higher than any other finance lease company in China, according to the F&S Report. Adopting a customer-oriented business model and supported by our highly effective risk management system, we offer 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. As of June 30, 2019 and since our inception, we had served more than 750 lessees, more than 95% of which are technology and new economy companies, and had launched more than 1,200 finance lease projects with an aggregate principal amount of approximately RMB15.6 billion.

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

We focus our services on technology and new economy companies in China because we believe in their tremendous growth potentials and see great business opportunities in their huge unmet needs for efficient financial services:

- According to the F&S Report, the aggregate market size of China's technology and new economy companies is expected to grow at a CAGR of 16.9% from 2018 to 2023. The aggregate market size of China's technology and new economy companies as a percentage of China's GDP increased from 14.3% in 2014 to 17.5% in 2018, and is expected to further grow to 26.0% by 2023, according to the F&S Report.

- Technology and new economy companies in China have large unmet needs for efficient financing services. Traditional mainstream financial institutions in China do not primarily focus on serving technology and new economy companies, especially those with asset-light business models, or on properly appraising and responding to their risk profiles. In addition, it may not be realistic or efficient for most technology and new economy companies to solely rely on private equities and venture capitals to fund their growth in light of such investors' appetite for investment return, investment time horizon or requirement on management influence.

Being in the right place at the right time has a lot to do with our historical success. Strategically based in Zhongguancun, Beijing, often referred to as China's Silicon Valley, and leveraging our in-depth insights into the characteristics and development patterns of technology and new economy companies and industries, we have been focusing on providing efficient finance lease solutions and advisory services to companies in the emerging and fast-growing industries such as ICT, eco-solutions, life sciences & healthcare, intelligent manufacturing, and internet-based products & services. With our comprehensive set of risk management structure, policies, procedures and tools, we are well-positioned to reduce risk exposures while satisfying our customer's funding needs. Especially, we not only assess our customers' past operational and financial performance, but also take into account their future growth potentials, which we believe has equipped us with a new perspective and valuable insights in assessing a technology and new economy company's suitability for debt financing. In addition to satisfying their funding needs, our finance lease solutions, in certain cases, are also designed to help our customers achieve their various business goals, such as promoting sales volume and optimizing business models.

During the Track Record Period, we successfully capitalized on the growth of our customers and experienced steady growth in our business operations. Our total revenue increased from RMB318.0 million in 2016 to RMB412.8 million in 2018, representing a CAGR of 13.9%, and from RMB180.9 million in the six months ended June 30, 2018 to RMB250.1 million in the six months ended June 30, 2019, representing a 38.2% growth rate. Our profit for the year increased from RMB82.6 million in 2016 to RMB119.0 million in 2018, representing a CAGR of 20.0%, and our profit for the period increased from RMB54.8 million in the six months ended June 30, 2018 to RMB74.2 million in the six months ended June 30, 2019, representing a 35.3% growth rate. Our NPA ratios remained at a relatively low level of 0.7%, 1.5%, 1.3%, and 1.4% as of December 31, 2016, 2017 and 2018 and June 30, 2019, respectively, which we believe reflect the effectiveness of our risk management.

OUR COMPETITIVE STRENGTHS

We believe the following competitive strengths have contributed to our success and differentiate us from our competitors, and will help us achieve significant growth in the future.

Pioneer dedicated to providing efficient finance lease solutions to technology and new economy companies in China

We are a pioneer strategically dedicated to serving technology and new economy companies with efficient finance lease solutions and financial services, according to the F&S Report. In 2018, the percentage of our revenue generated from technology and new economy companies exceeded 95%, a percentage higher than any other finance lease company in China, according to the F&S Report. We combine funding support in the form of efficient finance lease solutions with a variety of advisory services, which we believe empower the new generation of entrepreneurs to achieve their business goals.

Aligned with our business model and focus, we have built a large clientele base in the technology and new economy industries in China. As of June 30, 2019 and since our inception, we had cumulatively served more than 750 lessees, over 95% of which operate in technology and new economy industries. We devote ourselves to cultivating customers in the fastest-growing industries, including big data, eco-solutions, life sciences & healthcare, intelligent manufacturing, and internet-based products & services. As of June 30, 2019 and since our inception, we had launched more than 1,200 finance lease projects with an aggregate principal amount of approximately RMB15.6 billion.

Leveraging our years of operational experience and comprehensive risk management system, we are well-positioned to serve a thriving group of technology and new economy companies. Compared to conventional industries, technology and new economy companies generally present a different set of risk profiles. In order to address such different risks, we have developed a set of business strategies and risk management system designed to properly serve technology and new economy companies. Instead of applying an undifferentiated risk management methodology, we consider distinctive characteristics and development patterns of technology and new economy companies, such as innovative business models, strong need for investment to fund business operations, asset-light structures and specialized nature of assets that could be offered as collaterals or leased assets. Based on our analysis of abundant past finance lease transactions and risks therein, our risk management tools are capable of efficiently and effectively detecting and monitoring the risks of technology and new economy companies. In particular, we emphasize the assessment of our customers' growth potentials and financial health at its relevant development stage from a developmental perspective. Our robust risk management structure, policies, procedures and tools provide us the assurance and determination to satisfy the largely underserved financing needs of technology and new economy companies. Moreover, our finance lease solutions bring us multiple business opportunities across our customers' development lifecycles, enhancing customer stickiness and enabling us to better share our customers' growth.

Customer-oriented business model featuring efficient finance lease solutions and a variety of advisory services to facilitate our customers' growth

We have adopted a customer-oriented business model under which we closely follow and serve our customers at different development stages. Similar to a pyramid, our client base comprises companies from private start-ups all the way up to a relatively small number of public companies with multi-billion US dollars market capitalization. We help our customers at the early stages of their developments move up the pyramid, through which we gain valuable insights into what makes technology and new economy companies succeed. We then use such insights to improve our business operation and also share them with our customers at the early stages of development, thus creating a virtuous cycle.

Our finance lease solutions enable us to play a proactive role in facilitating our customers' growth. Finance lease is very much suited for the evolving and diverse business needs of technology and new economy companies because it is relatively flexible to structure in the following ways. First, finance leases are typically an efficient way for leases to obtain funding support due to the relatively short time consumed. Second, finance leases typically have low requirements on guarantee or collaterals from lessees. Third, the lease terms are on average longer than the credit periods of financing transactions such as short-term bank loans. Lastly, finance lease solutions can be designed to match the lessees' cash inflow from their operations or other sources with their periodic lease payment obligations. Although our finance lease solutions primarily take the forms of direct lease and sale-and-leaseback, in certain cases, we incorporate various functions designed to suit customers' diverse needs for, for example, funding, sales promotion, and business model optimization. See "—Our Business Operations—Finance Lease Solutions—Functions of our finance lease solutions."

In addition, to enable technology and new economy companies to achieve more rapid and sustainable growth, we deliver a variety of advisory services such as policy advisory and management and business consulting. We introduce to our customers government subsidies and support programs for which they may qualify, and assist them in the application. We also collaborate with certain third-party consulting firm to analyze the various aspects of our customers' operations, including their business models, growth strategies, operation management, financial reporting, financing advisory, human resources management and internal control, and share the results of such analysis with our customers to facilitate their improvement and growth.

We believe the functions of our finance lease solutions and our advisory services allow us to deepen our industry knowledge, create an image as an experienced go-to business partner for technology and new economy companies, and give us a first-mover advantage over our competitors in terms of customer acquisition and stickiness.

Prudent and highly effective risk management

To serve technology and new economy companies, we have established an effective and efficient risk management system commensurate with their risk profiles and unique features which are different from those of conventional industries. These features include innovative business models, strong need for investment to fund business operations, asset-light structures primarily consisting of intangible assets, and specialized nature of assets that could be offered as collaterals or leased assets.

Having had the opportunities to analyze information from over 1,200 lease projects with more than 750 lessees, and aided by our various risk management structure, policies, procedures and tools, we are well-positioned to rein in risks associated with technology and new economy companies.

Our risk management activities cover the entire lifecycle of lease projects, from customer selection, project assessment, to post-lease management and leased asset disposal. To properly deal with the risks arising out of the abovementioned features of technology and new economy companies, we carefully select the industries and customers we serve by evaluating the industry's prospects and the customers' industry position and past business and financial performance. We have adopted a series of risk management tools including our project due diligence report, project assessment report, leased asset report, and principal credit rating model, which aid our specialized personnel's decision-making processes. We have also implemented a set of specialized and open risk assessment procedures designed to accurately identify potential risk exposures and minimize fraud. Our risk management continues after lease project approvals. We monitor the leased projects throughout their terms, focusing on the status of leased assets, our customers' business operations and the classification of our finance lease receivables. In case of customer default, we make efforts to minimize our losses by disposing of leased assets. For details on our efforts to manage our leases and dispose of leased assets, see "Risk Management—Credit Risk Management—Post-lease Management."

We believe our risk management structure, policies, procedures and tools are effective and robust, as evidenced by our healthy credit performance during the Track Record Period. As of December 31, 2016, 2017 and 2018 and June 30, 2019, our non-performing assets ratio, which is defined as the percentage of our non-performing assets over the total finance lease receivables as of the respective dates, was 0.7%, 1.5%, 1.3% and 1.4%, respectively. As of the same dates, the industry average non-performing rate ranged from 0.86% to 1.67%, according to the F&S Report.

Growing and high-quality customer base

We have built a growing and high-quality customer base. Over a span of nearly seven years since our inception, we have served more than 750 lessees in the technology and new economy sectors. We are based in Zhongguancun, Beijing, which is often referred to as China's Silicon Valley and home to many of the internationally renowned high-tech companies, startups, as well as world-leading higher education and research institutions. As a result, we believe we have unparalleled access to a host of high-quality technology and new economy companies compared to many competitors. We have been serving a significant number of technology and new economy companies located in the Beijing-Tianjin-Hebei Integrated Area. Many of our other customers also hail from other highly developed regions in China, such as the Yangtze River Delta (comprising Jiangsu province, Zhejiang province and Shanghai) and the Guangdong-Hong Kong-Macau Greater Bay Area. As of June 30, 2019 and since our inception, we had launched more than 1,200 finance lease projects with an aggregate principal amount of approximately RMB15.6 billion. Our single largest finance lease project during the Track Record Period had a principal amount of approximately RMB140.0 million. Our proven track record in providing efficient finance lease solutions and variety of advisory services has led to high customer retention. As of June 30, 2019 and since our inception, approximately 28.1% of our lessees were repeat lessees who has entered into at least two finance lease agreements with us. In the six months ended June 30, 2019, we derived 47.5% of our revenue from repeat lessees to whom we provided services previously.

We believe our influential reputation and word-of-mouth referrals can better attract new customers, and allow us to maintain strong and stable customer relationships. We also work closely with investment funds, industry associations, high-tech industrial parks and commercial banks to deploy a variety of marketing and promotional activities as part of our overall strategy to expand our customer base, including customer sharing sessions and industry conferences and contests. For example, in 2018, we co-organized "Zhongguancun International Advanced Technology Innovation Competition" with Zhongguancun Management Committee, which attracted companies with industry leading technologies and strong independent research and development capabilities. We established contact with 199 potential customers, and decided to follow up with more than half of them for potential business cooperation. We have also organized industry-wide events to discover specialized technology and new economy companies. For example, in 2018, we organized the "Fourth Environmental Protection Innovation and Entrepreneurship Competition" through which we established contact with 44 potential customers, some of which became our customers and entered into finance lease agreements with us subsequently.

Visionary and experienced management team and staff complemented by the support of our Controlling Shareholder

We have a visionary management team with solid industry expertise and a proven track record of entrepreneurial success. Our executive Directors have an average of over ten years of relevant industry experience. In particular, our General Manager, Mr. Rongfeng He, has over 15 years of experience in the finance lease market and was named the "Person of the Year for Finance Leasing" (融資租賃年度人物) by the Leasing Business Committee of CAEFI in 2017. We are confident that our management team will continue to successfully develop our business strategies, manage operational risks and seize opportunities to further grow our Company.

We also have highly qualified personnel in our business functional teams. As of June 30, 2019 and since our inception, approximately 30% of our business personnel had rich experience in certain industries we serve. In addition to their industry expertise, our stable team of core personnel also accumulated first-hand project assessment experience during their years of services with us. Most of our senior management team members, heads of our functional teams and our principal committee members of the project assessment committee have been with us since 2013. As we become more mature in dealing with technology and new economy companies, our team of core personnel have also accumulated extensive experience in identifying risks in light of the differentiated risk profiles of technology and new economy companies, which in turn further enhances our overall capabilities in serving technology and new economy companies, thus creating a virtuous cycle. We believe our ability to retain such professionals allows us to develop in-depth insights in serving technology and new economy companies.

Our Controlling Shareholder, ZGC Group, is a state-owned enterprise established by the Beijing municipal government as a market-oriented entity to strategically provide resources to promote innovation. As of December 31, 2018, ZGC Group achieved a total asset of approximately RMB132.2 billion. ZGC Group also achieved a long-term credit rating of AAA. As the sole finance lease platform under ZGC Group, we serve a critical role by offering technology financing solutions, and benefit from the brand recognition and resources of ZGC Group. We believe we are able to capitalize on the support of ZGC Group and its subsidiaries, and enjoy synergistic effects of their businesses, which further strengthens our ability to satisfy our customers' financing needs and improve our own brand recognition and influence.

OUR BUSINESS STRATEGIES

We intend to pursue the following strategies to strengthen our market position and further grow our business.

Expand our customer base

We have built a reputable customer base in the technology and new economy industries in China. We plan to maintain and deepen our relationships with existing customers and expand our customer base by offering efficient and effective features and functionalities of our finance lease solutions, optimizing our advisory services, and enhancing our sales and marketing efforts.

We also plan to expand our coverage beyond the geographic markets we currently serve. We plan to further strengthen our customer base in the Beijing-Tianjin-Hebei Integrated Area and to further penetrate other regions that nursed and nurtured a growing number of Chinese technology and new economy businesses, such as the Guangdong-Hong Kong-Macao Greater Bay Area and the Yangtze River Delta.

Improve our risk management capabilities

To maintain our competitive strengths in risk management, we intend to enhance our capabilities in finance technologies by developing a set of comprehensive risk management models. We registered 11 software copyrights related to our risk management system in the second half of 2019. As a part of our risk management tools, such models will be independent from our business operating system, and will provide solid support for the continuing optimization of our anti-fraud, risk assessment and risk alert activities, thus improving our risk management efficiency while reducing our risk exposures.

At the data layer, our risk management models will completely digitize information on our customers, project assessment progress, lease agreement terms, and customer defaults. Meanwhile, we intend to collaborate with big data service providers to connect our models with external databases to obtain information such as regulatory filings, judicial decisions and PBOC credit information. At the engine layer, we have established risk management tools such as our principal credit rating model, and expect to finish the development of other risk management tools such as our anti-fraud model, lease receivable rating model, leased asset management model and risk alert model. Leveraging these various models, we intend to generate reports which are tailored for technology and new economy companies. We believe these models and reports will provide valuable insights to our personnel and help them make more well-informed risk management decisions.

We will also strengthen our management of the entire lease lifecycle. First, leveraging our principal credit rating model and our anti-fraud model, we intend to establish customer selection criteria and thresholds based on the industry and customer size. Second, we intend to improve our project assessment efficiency by further optimizing our project assessment and approval procedures and clarifying the authorities of each functional team. Third, we intend to better control our lease principals based on our analysis of customer information in order to limit our risk exposures and reliance on any single customer. Fourth, we intend to establish a risk alert classification system which will further enable us to promptly detect and deal with material and adverse changes in our customers or leased assets during the lease terms. Leveraging our principal credit rating model, lease receivable rating model, and our risk alert classification system, we intend to adopt different lease management plans in terms of the frequency, focus and manner of our actions during lease terms.

Delve into technology and new economy industries

We believe the technology and new economy industries represent numerous underpenetrated market opportunities. We will remain focused on serving technology and new economy companies and committed to solidifying our market position. We plan to increase our market share and presence in our existing key targeted industries, and may extend to additional verticals within each of these industries when further growth opportunities arise. Leveraging our profound industry know-how and risk management capabilities, we also plan to capitalize on such opportunities through business and service optimization. For example, we hold minority interests in equity investment funds in collaboration with professional investment institutions. Such equity investment funds may consider minority equity investments in certain companies with high valuation and growth potential. By combining potential equity financing with debt financing and further improving the value propositions of our services, we intend to better satisfy our customers' need for financial and advisory services and enhance customer loyalty. The primary investment objective in acquiring minority interest in equity investment funds is to share the growth opportunities in the markets that we value under controllable risk. Leveraging our extensive experience in serving technology and new economy companies and our comprehensive knowledge of our customers, we believe we will benefit from such investments and share the growth of our customers.

In terms of the operational impacts of such investments, we believe our finance lease solutions will achieve higher effectiveness and popularity among technology and new economy companies. We believe our association with the equity investment funds will expand our customer acquisition channels. In terms of financial impacts, we expect to receive dividends primarily as a limited partner in the equity investment funds in addition to investment return.

Build a talented and professional business team

We believe our success is largely attributable to our ability to build and retain a talented and professional business team. We will continue to expand our business team by recruiting more talents with extensive industry knowledge, cross-disciplinary knowledge and strong educational credentials. To motivate our employees, we also plan to enhance the competitiveness of our compensation package by adopting a rigorous mid- to long-term incentive scheme which will be closely linked to their job performance.

We will continue to implement and optimize our mentorship program where we assign a mentor to each new employee to help them understand our business model, adapt to and identify with our corporate culture, and gain a sense of belonging, which we believe contribute to higher employee work efficiency and loyalty.

For our non-managerial employees, we will continue to offer specialized internal and external trainings to help them improve their technical skills and stay abreast with the latest market developments. For mid-level to senior management, we will continue to offer diverse management trainings to help them improve their leadership skills. Meanwhile, we encourage employees to enroll in personalized trainings and further education programs. We recently introduced a program where we offer funding support to encourage employees to enroll in external training courses that are beneficial to their professional developments.

OUR BUSINESS OPERATIONS

We are a pioneer and the most dedicated finance lease company in serving technology and new economy companies in China in terms of the percentage of revenue in 2018 generated from technology and new economy companies, according to the F&S Report. In 2018, the percentage of our revenue generated from technology and new economy companies exceeded 95%, a percentage higher than any other finance lease company in China, according to the F&S Report. We are also the fifth largest finance lease companies approved by MOFCOM serving more than four technology and new economy sectors in terms of revenue generated from technology and new economy companies in 2018, according to the F&S Report. Adopting a customer-oriented business model, we are one of the leading finance lease companies in China dedicated to serving technology and new economy companies with efficient finance lease solutions and a variety of advisory services. Our finance lease solutions primarily take the form of direct lease and sale-and-leaseback, and, in certain cases, also incorporate various functions designed to suit different business needs for our customers. We also deliver a variety of advisory services, including policy advisory and management and business consulting, to help our customers achieve rapid growth. The following table sets forth our revenue by services for the years or periods indicated, both in absolute amount and as a percentage of total revenue.

	For the year ended December 31,						For the six months ended June 30,			
	2016		2017		2018		2018		2019	
	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage
	(RMB in thousands, except for percentage of revenue)									
Interest income from finance leases										
Direct lease	53,856	16.9	76,716	21.4	89,796	21.8	45,880	25.4	45,898	18.3
Sale-and-leaseback	199,640	62.8	207,055	57.7	250,775	60.7	109,174	60.3	158,730	63.5
Advisory fee income	64,550	20.3	74,810	20.9	72,212	17.5	25,860	14.3	45,423	18.2
Total	**318,046**	**100.0**	**358,581**	**100.0**	**412,783**	**100.0**	**180,914**	**100.0**	**250,051**	**100.0**

Our solutions and services reach customers from a variety of technology and new economy sectors, such as big data, eco-solutions, life sciences & healthcare, intelligent manufacturing, and internet-based products & services. See "—Our Business Operations—Customer Industry Division."

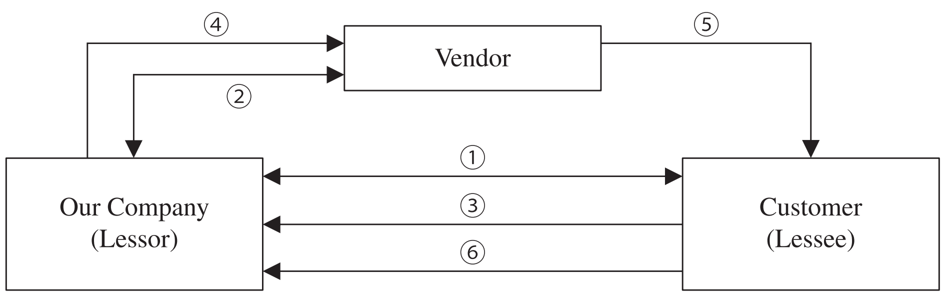
Finance Lease Solutions

Lease models

Direct lease

Under the direct lease model, we purchase the leased assets designated by our customers from the vendors, and instruct the vendors to ship them directly to our customers' premises. Our customers obtain physical possession of the leased assets after receiving delivery and are immediately able to use the leased assets after inspecting, installing and testing them, and will begin making periodic lease payments to us. Meanwhile, we retain ownership and legal title until the end of the lease terms, at which time our customers pay for and obtain legal title to the leased equipment.

The following chart illustrates the relationships among the vendor, our customer as the lessee, and us as the lessor in a typical direct lease transaction (assuming that the lessee decides to retain the equipment at the end of the lease term).

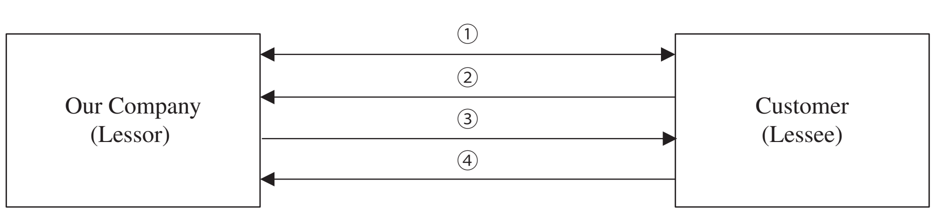


1. Enter into finance lease agreement
2. Enter into leased assets sales agreement
3. Pay deposit
4. Pay for the leased assets in full and obtain title
5. Deliver equipment
6. Make periodic lease payments

Sale-and-leaseback

Under the sale-and-leaseback model, our customers sell and transfer the legal title of their assets to us. We then lease the assets back to our customers in exchange for periodic lease payments. The leased assets do not leave the premises of our customers, and our customers enjoy uninterrupted usage of the leased assets. The sale-and-leaseback model does not involve third-party vendors.

The following chart illustrates the relationships between our customer as the lessee and us as the lessor in a typical sale-and-leaseback transaction.



1. Enter into finance lease agreement and leased asset sales agreement
2. Transfer title of leased assets and pay deposit
3. Pay the purchase price
4. Make periodic lease payments

The table below sets forth the number of finance lease agreements we entered into as the lessor and the total lease principal for the years or periods indicated.

	For the year ended December 31,						For the six months ended June 30,			
	2016		2017		2018		2018		2019	
	Number of agreements	Total principal value	Number of agreements	Total principal value	Number of agreements	Total principal value	Number of agreements	Total principal value	Number of agreements	Total principal value
	(RMB in thousands, except for number of agreements)									
Direct Lease	81	851,471	91	887,522	98	732,205	38	216,722	39	185,783
Sale-and-leaseback	134	1,901,195	184	1,936,410	214	2,921,228	94	1,239,253	147	1,631,620
Total	**215**	**2,752,666**	**275**	**2,823,932**	**312**	**3,653,433**	**132**	**1,455,975**	**186**	**1,817,403**

The principal of each finance lease agreement is determined by the nature of leased assets and the customer's preferences. From time to time, we may enter into finance lease agreements with relatively small principal amounts with our customers, taking into account factors such as the relationship with the customers, repayment status, and quality of leased assets. The following table sets forth the average finance lease principal size, number of customers and number of lease agreements outstanding as of the dates indicated.

	As of December 31,			As of June 30,
	2016	2017	2018	2019
Average finance lease principal size (RMB in thousands)	14,518	12,193	12,002	11,495
Number of customers	229	270	321	362
Number of finance lease agreements	436	594	711	804

For industries other than life sciences & healthcare, the average initial principal amount of finance lease agreements remained relatively stable during the Track Record Period. For life science & healthcare industry, considering the risks associated with specific industries and our enhanced risk management concerns, we adjusted the initial principal amounts of finance lease to a smaller size.

The following table sets forth the average initial principal amount of finance lease agreements that were outstanding as of the dates indicated.

	As of December 31,			As of June 30,
	2016	2017	2018	2019
	(RMB in thousands)			
Big data	13,653	11,752	12,964	11,953
Eco-solutions	20,864	21,346	19,142	16,908
Life sciences & healthcare	10,497	6,428	6,138	5,911
Intelligent manufacturing	14,141	16,361	19,039	18,793
Internet-based products & services	12,649	10,346	10,656	13,255
Others	14,517	15,050	16,376	14,568

The following table sets forth a breakdown of the range of principal amount of finance lease agreements entered into during the years or periods indicated by industry.

	For the year ended December 31,			For the six months ended June 30,
	2016	2017	2018	2019
	(RMB in thousands)			
Big data	992-60,000	830-40,000	800-140,000	317-25,000
Eco-solutions	600-80,000	2,298-70,000	885-49,000	450-45,000
Life sciences & healthcare	403-55,000	50-64,000	190-100,000	90-48,000
Intelligent manufacturing	1,000-54,000	2,000-55,210	910-85,000	1,500-49,000
Internet-based products & services	600-120,000	742-120,000	166-52,736	125-45,000
Others	3,400-21,000	1,500-49,000	7,600-45,000	1,400-14,000

The following table sets forth the balances of and changes in the number of lease agreements and lease principal amount in the years or periods ended on and as of the dates indicated.

	As of/For the year ended December 31,						As of/For the six months ended June 30,	
	2016		2017		2018		2019	
	Number of agreements	Total principal	Number of agreements	Total principal	Number of agreements	Total principal	Number of agreements	Total principal
	(RMB in thousands, except for number of agreements)							
Beginning	**289**	**4,457,019**	**436**	**6,329,785**	**594**	**7,242,423**	**711**	**8,533,192**
Newly signed lease agreements	**215**	**2,752,666**	**275**	**2,823,932**	**312**	**3,653,433**	**186**	**1,817,403**
One year or shorter	10	262,867	7	160,915	14	237,438	2	48,000
Over one year but not more than three years	194	2,256,499	247	2,362,548	273	3,026,141	167	1,626,641
More than three years	11	233,300	21	300,469	25	389,854	17	142,762
Completed agreements[1]	**68**	**879,900**	**117**	**1,911,294**	**195**	**2,362,664**	**93**	**1,108,395**
One year or shorter	105	1,813,983	197	2,407,258	189	2,585,286	207	2,761,491
Over one year but not more than three years	317	4,210,708	374	4,508,496	494	5,424,052	559	5,846,101
More than three years	14	305,094	23	326,669	28	523,854	38	634,608
Ending	**436**	**6,329,785**	**594**	**7,242,423**	**711**	**8,533,192**	**804**	**9,242,200**

(1) Including disposals of two agreements with an aggregate principal amount of RMB20.0 million in 2016 and one agreement with principal amount of RMB50.6 million in the six months ended June 30, 2019, respectively. We decided to dispose of these three agreements because the lessees were in default of their payment obligations, and we determined that selling the finance lease receivables would mitigate our risk exposures. We realized gains of RMB2.7 million and RMB0.5 million from the sales of these three agreements in 2016 and the six months ended June 30, 2019, respectively.

The average term of our finance lease agreements were 2.7 years, 2.9 years, 2.8 years and 2.8 years in 2016, 2017, 2018 and the six months ended June 30, 2019, respectively.

Risk and rewards related to finance lease business models

The decision to adopt direct lease model or sale-sand-leaseback model is primarily driven by customers' preference. We also consider the following risks and rewards to us.

- *Risks of direct lease model.* Customers opting for direct leases often use proceeds from us to obtain equipment to kick start their projects. The short histories of these projects make it difficult to evaluate their quality and performance.

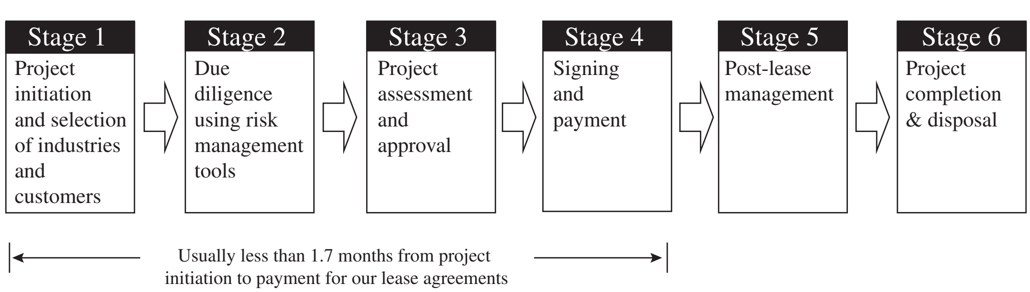
- *Risks of sale-and-leaseback model.* Leased assets involved in sale-and-leaseback transaction have typically been used for a period of time, thus subjecting the leased assets to impairment and causing potential issues to their disposals.

- *Rewards of direct finance leases model.* Because direct lease model typically funds the purchase of leased assets that are new equipment in good condition, it is generally easier to dispose of and evaluate.

- *Rewards of sale-and-leaseback model.* Customers opting for sale-and-leaseback model usually use proceeds from us to fund the operations of projects that have been initiated for a period of time, which makes it easier for us to estimate and assess the cash flow, earnings potential and commercial prospects of such projects and of the customers.

Operational Workflow

We have developed a systematic operational workflow which we consistently apply to each finance lease project. We involve the participation of various functional teams and entities within our organization. The following chart sets forth the typical workflow of our finance lease solutions. For details on each step of the finance lease project, and the responsibilities of each of our internal functional teams, see "Risk Management."



- *Stage 1: project initiation and selection of industries and customers.* Our business project teams research and monitor the technology and new economy industries they specialize in, and study the potential financing needs of our existing and potential customers.

- *Stage 2: due diligence using risk management tools.* Our business project teams and project assessment team conduct due diligence investigation on the lease project, and compile due diligence report and project risk assessment report. Our asset management team compiles leased asset report which covers information on the proposed leased assets.

- *Stage 3: project assessment and approval*. After the project due diligence report, project risk assessment report, and leased asset report are available, our project assessment committee reviews those reports, discusses the lease projects in open sessions, and then votes on whether to approve the lease project.

- *Stage 4*: *signing and payment*. After the project assessment committee approves a lease project, we then initiate agreement signing and payment processes to release the funds to our customers.

- *Stage 5*: *post-lease management*. We closely monitor our lessees' business operations and the status of the leased assets throughout the lease terms. Based on the circumstances of our customers, we classify our finance lease receivables into five groups: normal, special mention, sub-standard, doubtful, and loss. We have designed particular non-performing asset disposal plans with regards to projects under sub-standard, doubtful and loss categories.

- *Stage 6*: *project completion and disposal.* At the end of the lease term, we wind down the lease agreements and transfer title of the leased assets to our customers. If our customers were in default, then our asset management team will handle the related legal proceedings, leased asset disposals, or other activities to recover our the finance lease receivables.

Key terms of lease agreements

We enter into written lease agreements for each lease transaction with our customers. Our direct lease and sale-and-leaseback contracts contain largely the same group of key terms as follows.

- *Lease term.* The lease terms under a majority of our lease agreements are two to three years.

- *Lease principal and payment.* The value of the leased asset is determined by the purchase price. We determine the principal amount we can release under the lease agreement with reference to such value and a target coverage ratio. At the beginning of the lease period, the lessee is required to make an initial payment which consists of deposits, insurance, and other incidental expenses related to the initiation of the lease. Thereafter, lessees are required to make periodic payments according to the payment schedule attached at the end of the lease agreement.

The following table sets forth the number and aggregate principal amount of lease agreements entered into during the periods indicated for each industry we serve.

	For the year ended December 31,						For the six months ended June 30,			
	2016		2017		2018		2018		2019	
	Number of agreements	Total principal value	Number of agreements	Total principal value	Number of agreements	Total principal value	Number of agreements	Total principal value	Number of agreements	Total principal value
	(RMB in thousands, except for number of agreements)									
Big data	37	383,109	32	354,038	48	735,221	13	151,318	21	196,513
Eco-solutions	40	763,230	34	582,558	59	894,433	25	412,776	37	399,117
Life sciences & healthcare	52	498,155	121	572,159	108	745,920	46	283,176	83	493,702
Intelligent manufacturing	30	570,586	35	681,244	42	721,898	21	302,452	26	429,046
Internet-based products & services	50	450,696	47	535,533	50	462,861	24	232,252	15	264,625
Others	6	86,890	6	98,400	5	93,100	3	74,001	4	34,400
Total	**215**	**2,752,666**	**275**	**2,823,932**	**312**	**3,653,433**	**132**	**1,455,975**	**186**	**1,817,403**

The following table sets forth a maturity profile of our finance lease receivables before deducting allowance for impairment losses as of the dates indicated, both in absolute amount and as a percentage of total finance lease receivables before deducting allowance for impairment losses as of the dates indicated.

	Amount	Percentage
	(RMB in thousands, except for percentages)	
As of December 31, 2016		
Not later than one year	2,180,959	52.3
Later than one year and not later than two years	1,375,456	33.0
Later than two year and not later than three years	544,112	13.1
Later than three year and not later than four years	56,238	1.4
Later than four year and not later than five years	8,818	0.2
Later than five years	–	–
Total	**4,165,583**	**100.0**
As of December 31, 2017		
Not later than one year	2,395,355	53.1
Later than one year and not later than two years	1,375,999	30.6
Later than two year and not later than three years	634,292	14.1
Later than three year and not later than four years	65,654	1.5
Later than four year and not later than five years	31,474	0.7
Later than five years	184	0.0
Total	**4,502,958**	**100.0**

	Amount	Percentage
	(RMB in thousands, except for percentages)	
As of December 31, 2018		
Not later than one year	2,838,774	51.8
Later than one year and not later than two years	1,765,616	32.2
Later than two year and not later than three years	737,111	13.4
Later than three year and not later than four years	111,003	2.0
Later than four year and not later than five years	33,140	0.6
Later than five years	–	–
Total	**5,485,644**	**100.0**
As of June 30, 2019		
Not later than one year	3,179,864	54.9
Later than one year and not later than two years	1,813,603	31.4
Later than two year and not later than three years	651,532	11.3
Later than three year and not later than four years	102,216	1.8
Later than four year and not later than five years	37,580	0.6
Later than five years	–	–
Total	**5,784,795**	**100.0**

- *Deposits.* Lessees are required to pay a deposit as a guarantee of their performance obligations under the finance lease agreements. Lessees do not earn interests on the deposits. At the end of the lease terms, we may apply the deposits towards the last lease payment under the finance lease agreements, and then refund the remaining amount to the lessees, if any. If the lessees withdraw from the lease agreements or cause the lease agreements to be terminated prior to the end of lease term without our written consent, or if the lessees materially breach the finance lease agreements which lead to their early terminations, the lessees are deemed to have forfeited the deposits.

- *Interest rate.* The interest rate applicable to the lease is determined as a multiple of the benchmark interest rate of the PBOC, taking into account of the customers' financial and business performances and the industries in which they operate. Lease payment amount is subject to change after the PBOC adjusts its benchmark interest rate. See "—Pricing Policies" for more details.

- *Leased asset purchase.* In a direct lease transaction, the lessee is responsible for selecting the vendor and the asset, receiving delivery, setting up and testing the leased assets. In a sale-and-leaseback transaction, we and the customers jointly decide on the scope of the customer's assets we purchase and then lease back. We sometimes require the vendors in direct leases to undertake to repurchase leased assets under the finance lease agreements. Under such circumstances, vendors enter into separate repurchase agreements.

- *Use of leased assets*. The lessee is wholly responsible for maintaining proper use of the leased assets during the lease period. The lessee is liable for any damages caused by the leased assets, and shall reimburse us for any damages we sustain in relation to the leased assets. The lessee is also responsible for purchasing the necessary insurance coverage over the leased assets.

- *Ownership of the leased assets*. During the lease term, we maintain the legal title of leased assets and may affix signage on the leased assets indicating our ownership, and may take other measures to trace the whereabouts of the leased assets during the lease term. The lessee may not dispose of the leased assets without our consent, and must take appropriate actions to maintain proper care of the leased assets.

- *Termination.* The lease can be terminated by either the lessee or us if (1) the sales agreement of the leased asset is deemed invalid or is canceled, (2) the lease agreement cannot be performed due to the actions of the vendor of the leased assets, or (3) the leased asset is destroyed or damaged due to faults attributable to neither us nor the lessee. We may unilaterally terminate a lease agreement if (1) the lessee disposes of the leased asset without our consent, (2) the lessee fails to pay according to the payment schedule, (3) the lessee violates our ownership interest or right to monitor the leased assets, or (4) the leased asset is damaged or destroyed due to the lessee's fault.

- *Disposal of the leased asset after the end of lease term.* If a lessee is not in default of its lease payments or is not otherwise in material breach of its obligations under the lease agreement at the end of the lease term, it will purchase the leased asset by paying the salvage price.

Lease amendment

We exercise great caution in deciding whether to agree to amend lease agreement provisions during lease terms. Our decisions to amend lease agreements are primarily driven by customer demands and developments in their business operations. We have established policies governing our decisions on lease agreement amendments. Such amendments include not only changes in the lengths of lease terms, but also provisions such as credit enhancement measures and arrangements over leased asset disposals. When deciding whether to amend lease agreements, our risk management system plays a critical role in ensuring that lease amendments will not lead to material increase in our risk exposures, and that amendments are granted only on rare occasions, for example, where the lessee customers show signs that their business operations, financial condition and repayment capabilities would improve if we agree to such amendment. Lease agreement amendments undergo the same assessment and approval processes as new finance lease agreements, and typically need to be approved by the project assessment committee, after taking into account factors such as (1) changes in our risk exposures after the amendment, (2) the necessity of the amendment to the lessee's business operations and growth, and (3) whether the proposed amendment reflects the lessee's true business conditions and risk exposures. The amended terms typically include (1) changes in payment schedule, (2) lessees' updated payment and other obligations, and (3) additional credit enhancement measures.

Since our inception and up to June 30, 2019, we had launched more than 1,200 finance lease agreements with an aggregate principal amount of approximately RMB15.6 billion. During the Track Record Period, we had agreed to amend 17 lease agreements, the interest generated from which was RMB19.7 million, RMB17.4 million, RMB10.5 million and RMB2.9 million in 2016, 2017, 2018 and the six months ended June 30, 2019. The aggregate principal amount of these amended agreements was approximately RMB562.6 million and aggregate carrying value of related finance lease receivable was RMB111.4 million as of June 30, 2019. Most of the lessees whose lease agreements were amended were able to perform their payment and other obligations after amendments. Our default rate, which is calculated by dividing the amount of finance lease receivables where the payment of principal or interest is overdue for more than 90 days by the carrying amount of finance lease receivables as of the end of the year or period, was 1.9%, 3.9%, 4.0% and 4.3% in 2016, 2017, 2018 and the six months ended June 30, 2019, respectively. The calculations of default rates have taken into lease amendments. As of June 30, 2019 and since our inception, five out of the 17 lease agreements had been completed.

As of December 31, 2016, 2017 and 2018 and June 30, 2019, the number of lessees who default on repayments of principal or interest for more than 90 days was 7, 12, 19 and 25, respectively. During the Track Record Period, we incurred impairment loss of RMB17.8 million, RMB24.6 million, RMB26.4 million and RMB11.1 million for these lessees in 2016, 2017, 2018 and the six months ended June 30, 2019, respectively.

Functions of our finance lease solutions

Based on our direct lease and sale-and-leaseback lease models, we have incorporated several finance lease functions which cater to our customers' special needs in terms of funding sales promotion and business model optimization.

- *Funding support*. Technology and new economy companies in China typically have limited initial capital and little retained earnings before successful commercialization of their products and services, which means that they need massive external financing to survive during early stages of development. Our finance lease solutions offer funding to help technology and new economy companies move forward into later stages of developments, such as product/service commercialization.

- *Sales volume enhancement*. We can offer funding through finance lease solutions to potential buyers of our customers' products or services to encourage and enable purchases, thus enlarging our customers' business channels and helping them reach more buyers.

- *Business model optimization*. Certain customers may intend to optimize their business models. For example, some customers may want to change their business model from manufacturing and selling products to providing services. However, the new business model requires significant upfront investments which our customers cannot recover in a short amount of time, thus exposing customers to intense liquidity risks. Our finance lease solutions can help our customers recover their upfront cash outflow, and reduce their liquidity risks.

We believe these functions lead to customer stickiness to our finance lease solutions. For example, our customer Company X specializes in manufacturing industrial carving and cutting equipment and organizing industry exhibitions. Company X independently developed a variety of computer numerical control precision lathes and possess dozens of national patents and software copyrights, which is in line with the features of technology companies. On the one hand, our finance lease solutions provided funding support to Company X's operations; on the other, we also offer finance lease solutions to customers of Company X subject to the satisfaction of our risk management and internal control procedures on the customers of Company X, which helped Company X expand its customer base and sales volume. By satisfying multiple needs of our customers, our finance lease solutions and their various functions, as demonstrated by our business relationship with Company X, effectively ensured customer stickiness to us. As of June 30, 2019 and since our inception, approximately 28.1% of our lessees were repeat lessees to whom we had previously served. In the six months ended June 30, 2019, we derived 47.5% of our revenue from such repeat lessees.

Leased Assets

We generally consider several factors in determining the amount of lease principal as a percentage of leased assets' book value with reference to the purchase price, the asset's liquidity, the physical conditions of the assets and/or the estimated value provided by third-party valuers. The leased assets in our finance lease solutions typically include equipment, terminals (such as medical service terminals that directly serve patients, and payment processing equipment that facilitate consumer transactions such as point-of-sales machines), infrastructure (such as base stations used by telecommunications service providers to transmit signals), electronic devices, and assembly lines. We typically acquire legal title to the leased assets and retain the right to dispose of the assets after our customers are in default. We also typically require other types of credit enhancement measures, such as obtaining liens on lessees' equity and revenue streams and monitoring lessees' bank accounts.

In order to ascertain the market value of the underlying leased assets in relation to our finance lease agreements, our asset management team compiles leased asset reports which cover information on proposed leased assets. The leased asset reports contain, among others, the identities, quantities, primary usages, book values and locations of the leased assets. We also conduct valuation on our leased assets by our asset management team led by a PRC Certified Public Valuer (註冊資產評估師) upon entering into finance lease agreements, and we also periodically track and evaluate the value of leased assets. During the Track Record Period, there were no significant differences between the net book values and the market values of leased assets from our finance lease agreements when initially signed. According to the F&S Report, such practice is in line with the industry norm.

Under direct leases, our business project teams, with the help of our asset management team, determine the value of leased assets by communicating with vendors and referring to historical sales prices of similar assets. We also take steps in ensuring that the leased assets delivered by the vendor are complete and consistent with the lease agreements. Under sale-and-leasebacks, we determine the value of leased assets primarily by referring to their net book values. For leased assets where the original vendors had undertaken to repurchase, the lease principal generally shall not exceed 80% of the leased assets' net book value. For leased assets without such undertakings, the leased principal generally shall not exceed 70% of the leased assets net book value. For lessees with sound business operations, strong debt repayment capabilities and solid credit enhancement measures, business project teams may apply for adjustments to the abovementioned percentages in their due diligence reports. Our project assessment committee reviews such applications and grant approvals on a case-by-case basis.

For sale-and-leaseback transactions, if we have reasons to doubt the reasonableness of the net book values of the leased assets, our asset management team shall assist our business project teams in completing reevaluation of such leased assets to be performed by itself or by third-party valuators.

Coverage ratio

We track the coverage ratio of our leased assets. Our aggregate coverage ratios for newly signed lease agreements in 2016, 2017, 2018 and the six months ended June 30, 2019 are all larger than one, which shows that for lease agreements we signed during the Track Record Period, the aggregate principal (net of deposits) of the lease agreements are smaller than the aggregate value of the leased assets at the signing of those lease agreements. We were able to cover our finance lease receivables as of each of the dates indicated. The following table sets forth the range of and the aggregate coverage ratio for lease agreements entered into during the years or periods indicated.

	For the year ended December 31,			**For the six months ended June 30,**
	2016	**2017**	**2018**	**2019**
	(RMB in thousands, except for ratios)			
Aggregate book value of leased assets entered into during the years/periods	3,597,780	3,513,245	5,074,786	2,546,915
Principal (net of deposits)	2,458,219	2,531,524	3,304,419	1,636,954
Aggregate coverage ratio(1)	1.46	1.39	1.54	1.56
Range of coverage ratio	1.06-3.67	1.0-3.15	1.03-5.52	1.12-4.18

(1) Aggregate coverage ratios during the years or periods indicated are calculated as the aggregate value of leased assets related to all lease agreements signed in the years or periods indicated, divided by the total principal amounts (net of deposits) related to the same agreements.

In addition to the leased assets that are sufficient to cover the lease principal amount based on our coverage ratio requirement, we obtain additional collaterals on a case-by-case basis as a means of credit enhancement to improve the credit risk profile of certain projects. The following table sets forth the amount of collaterals obtained at the beginning our finance lease projects, aggregate coverage ratios, and range of coverage ratios taking into account the value of collaterals in the years or periods indicated.

	For the year ended December 31,			For the six months ended June 30,
	2016	2017	2018	2019
	(RMB in thousands, except for coverage ratios)			
Value of collaterals	284,278	22,210	422,096	141,119
Aggregate coverage ratio (including amount of collaterals)	1.58	1.40	1.66	1.64
Range of coverage ratios (including amount of collaterals)	1.06-5.29	1.0-3.15	1.03-9.29	1.18-7.53

We place great emphasis on maintaining asset quality and satisfactory leased asset coverage ratios. In particular, we refined our policies on the management and classifications of leased assets in 2017. As a result, our coverage ratio remained steady with improvement over the Track Record Period.

The following table sets forth the range of and the aggregate coverage ratio as of the dates indicated.

	As of December 31,			As of June 30,
	2016	2017	2018	2019
	(RMB in thousands, except for ratios)			
Aggregate book value of leased asset	7,015,172	7,429,867	9,152,114	9,705,981
Finance lease receivable (net of deposits)	3,438,090	3,663,525	4,532,571	4,746,039
Aggregate coverage ratio[(1)]	2.04	2.03	2.02	2.05
Range of coverage ratio[(2)]	0.91-97.65	0.55-146.29	0.33-47.71	0.24-121.24

(1) Aggregate coverage ratio as of the dates indicated are calculated as the aggregate value of leased asset book value as of the dates indicated, divided by finance lease receivable (net of deposits) as of the same dates.

(2) There were three, five, seven and 11 lease agreements in relation to one, one, three and five lessees as of December 31, 2016, 2017 and 2018 and June 30, 2019, respectively, for which the coverage ratio was below one. As of December 31, 2017 and 2018 and June 30, 2019, two, four, and four of the lessees were involved in the same underlying development project. The aggregate outstanding amount of finance lease receivables (net of deposits) from these lessees was approximately RMB3.4 million, RMB3.7 million, RMB4.5 million, and RMB4.7 million as of December 31, 2016, 2017 and 2018 and June 30, 2019, respectively, which we believe do not have material financial impacts on us. The range does not include coverage ratio of a finance lease agreement whose leased assets were disposed in 2015. The outstanding carrying amount of the finance lease receivable related to that agreement was approximately RMB4.5 million, RMB3.6 million, RMB2.4 million, and RMB2.5 million as of December 31, 2016, 2017 and 2018 and June 30, 2019, respectively. The range also does not include the coverage ratio of another finance lease agreement whose leased assets were disposed in 2016. The outstanding carrying amount of finance lease receivables was approximately RMB0.6 million, RMB0.3 million, and RMB0.1 million as of the same dates, respectively.

The following table sets forth the value of collaterals, aggregate coverage ratio and range of coverage ratios taking into account the value of collaterals as of the dates indicated.

	As of December 31,			As of June 30,
	2016	**2017**	**2018**	**2019**
	(RMB in thousands, except for coverage ratios)			
Value of collaterals	719,349	736,516	928,789	967,631
Aggregate coverage ratio (including value of collaterals)	2.25	2.23	2.22	2.25
Range of coverage ratios (including value of collaterals)	0.91-97.65	0.55-146.29	0.33-47.71	0.24-121.24

The collaterals typically comprise real properties, including residential, commercial and industrial real properties, most of which are located in Beijing and Tianjin. The market value of real properties in the relevant regions are transparent, publicly available and easy to obtain from public information. As a result, our project assessment team typically ascertains market value of the collaterals based on market information upon entering into a finance lease agreement and/or during the lease term, typically when there are defaults in repayments.

During the Track Record Period, only signed lease agreements with coverage ratios larger than one were approved. However, as of December 31, 2016, 2017 and 2018 and June 30, 2019, the coverage ratios of certain finance lease agreements fell below one, primarily due to certain lessees' delayed lease payments. Specifically, under the circumstance of delayed lease payments, the decrease of carrying amount of finance lease receivables (net of deposits) of these lease agreements, being the denominator to calculate coverage ratio, was slower than the depreciation of book values of corresponding leased assets, being the numerator to calculate coverage ratio.

The following table sets forth the breakdown of our finance lease receivables by lessee types.

	As of December 31,			As of June 30,
	2016	2017	2018	2019
	(RMB in thousands)			
Public company lessee[(1)]	1,199,107	957,350	1,152,502	988,110
Non-public company lessee	2,909,945	3,463,794	4,224,292	4,671,294
Total	4,109,052	4,421,144	5,376,794	5,659,404

(1) Public company lessees include lessees that are public companies, and do not include lessees held by public companies. Public companies refer to companies whose shares, to the best knowledge of our Directors, were publicly listed on the National Equities Exchange and Quotations of China or a major stock exchange in China or overseas as of the Latest Practicable Date.

For non-public company lessees, we adopted certain criteria in assessing their credit risks. The operating history of such company lessees usually exceeds three years, their annual revenues or net assets typically exceed RMB10.0 million, and they usually have proper liability-to-asset ratios, for example not exceeding 70%. They also typically receive industry recognitions, awards, and accreditations as recognized by the market or certain area of practice, such as the high-and-new technology enterprise accreditation.

Asset Quality

Impairment Losses Charged

The following table sets forth a breakdown of our impairment losses charged in the years or periods indicated.

	For the year ended December 31,			For the six months ended June 30,	
	2016	2017	2018	2018	2019
	(RMB in thousands)				
Finance lease receivables					
Big data	(1,097)	(24,418)	(9,989)	(6,122)	(7,306)
Eco-solutions	(7,835)	(3,918)	(19,652)	(9,120)	(4,172)
Life sciences & healthcare	(376)	(148)	(1,383)	934	(198)
Intelligent manufacturing	(1,887)	(1,499)	(2,606)	1,515	(6,145)
Internet-based products & services	(11,749)	4,134	5,387	7,987	1,178
Others	(920)	566	1,207	1,339	102
Total	(23,864)	(25,283)	(27,036)	(3,467)	(16,541)

We increased our allowances for impairment losses to finance lease receivables as a percentage of total finance lease receivables from 1.4% as of December 31, 2016 to 2.2% as of June 30, 2019 to reflect the changes in the quality of finance lease receivables during the Track Record Period. Changes in asset quality as demonstrated by changes in allowances for impairment losses as a percentage of total finance lease receivables were market-dependent in nature, primarily driven by the fluctuations in China's overall macroeconomic conditions and changes in the environment of China's technology and new economy industries. According to the F&S Report, China has been forging ahead with its ambitions to shift the development mode from scale-oriented to quality-oriented. However, the shift has also introduced fluctuations to China's overall macroeconomic conditions and brought considerable uncertainties and challenges to companies in technology and new economy industries at a microeconomic level. During the Track Record Period, we mainly targeted customers in technology and new economy industries and such uncertainties and challenges may adversely impact the operating results and financial positions of certain of our customers, and further affect the recoverability of our related finance lease receivables.

For more details on our finance lease receivables, see "Financial Information—Discussion of Certain Items in Consolidated Statements of Financial Position."

Lease Receivable Classification

We closely monitor the quality of our lease receivables. In 2013, we introduced a five-level standard, which classifies finance lease receivables into five categories, namely (1) normal, (2) special mention, (3) sub-standard, (4) doubtful, and (5) loss.

We downgrade the classification of finance lease receivables from normal to special mention when adverse changes have emerged that may negatively affect our collection of lease payments. Such changes typically include: (1) lessee is late in making scheduled payments for more than 30 days, (2) lessee experiences significant fluctuations in its business operations or financial difficulties, and (3) our collection efforts do not yield obvious results.

We recognize finance lease receivables as non-performing assets when (1) lessees are not able to make lease payments in full, (2) we face significant difficulties in collections, or (3) disposals of related leased assets would lead to significant losses. In these situations, lessees (1) are generally late in their payments for an extended period of time, (2) become unwilling to pay and non-cooperative to our collection efforts, (3) experience significant financial difficulties and may undergo bankruptcy, and (4) cannot offer sufficient collaterals or leased assets to cover the outstanding lease receivable balance.

We write off finance lease receivables when we fail to recover all or a substantial part of the finance lease receivables after exhausting all legal options. Situations typically include (1) lessee and guarantors undergo bankruptcy or business termination, (2) the court finds it impossible to continue to collect from the lessee, and (3) no other means exist to recover from the lessees. During the Track Record Period, we did not write off any finance lease receivables.

For more details on these five classifications, see "Risk Management—Credit Risk Management—Post-lease Management."

Notifiable Transactions

Pursuant to Rule 14.04(1)(c) of the Listing Rules, the entering into or terminating of finance leases where the financial effects of such leases have an impact on the financial position and/or financial performance of a listed issuer constitutes a transaction under Chapter 14 of the Listing Rules. In this regard, upon Listing, our finance leasing activities may constitute notifiable transactions under Chapter 14 of the Listing Rules, which will be subject to the relevant notification, announcement and shareholders' approval requirements. If we enter into or terminate any finance leases after Listing, we will ensure compliance with the applicable requirements under Chapter 14 of the Listing Rules, and will seek advice from external legal advisers where necessary for ensuring full compliance with the Listing Rules.

Advisory Services

We offer our finance lease solutions customers a variety of advisory services, including policy advisory and management and business consulting. Based on our experience in offering finance lease solutions, we understand that our finance lease customers typically have demands for advisory services in strengthening corporate governance and establishing corporate policies to enable further growth.

We strive to create an ecosystem based on our offerings of financing solutions to technology and new economy companies. We believe that leveraging our experience in working with, and in-depth knowledge on the business operation and regulatory environment of, technology and new economy companies and our relationship with a third-party professional consulting firm, we are well-positioned to advise our customers in terms of their operations management, corporate structures, human resource management, among other areas, in order to increase customer stickiness.

According to the F&S Report, China's technology and new economy companies generally enjoy favorable government policies, which include various forms of government grants and subsidies granted by various levels and branches of governments based on various requirements and conditions. We believe our advisory services effectively help our lessees navigate through these policies, and help them prepare for their applications for grants and subsidies. In addition, many of our lessees, small- to medium-sized non-public companies in particular, have a technology-driven business model with a light asset structure primarily consisting of intangible assets and have a relatively short operating history. As such, they sometimes need help in formalizing their corporate structures and management policies that safeguard their future expansions. Leveraging our years of experience in project assessment and due diligence, we have witnessed the commercial realities and best practices for similarly situated technology and new economy companies, which could offer significant value to our lessees.

The scope of our advisory services varies from lessee to lessee, but typically revolves around the following topics:

- advising on the impact of government policies on the customers' industry;
- advising on the availability and eligibility of potential government grants and subsidies;
- assisting in the applications for such grants and subsidies when the lessees may qualify;
- designing and optimizing corporate structures and implementing re-organization plans;
- advising on various corporate policies such as human resource management policies; and
- analyzing current business operations of the customers.

The following are the key terms of our advisory service agreements with our advisory service customers.

- *Cooperation model and scope of services.* We are responsible for assigning the appropriate personnel from the Company or appointing a third party consulting firm to provide management consulting services and our own employees for policy advisory services; our customers are responsible for supplying the requested financial and operational documents and information.
- *Fee arrangements.* We typically require our customers to pay a fixed advisory service fee upon signing of the agreement.
- *Confidentiality.* Both parties agree to refrain from disclosing privileged information to third parties unless authorized by the other party.

Our advisory services are not bundled with our finance lease solutions. Instead, customers may request our advisory services even if they choose not to use our finance lease solutions. During the Track Record Period, all of our advisory service customers were also our lessees under our finance lease solutions.

The following table sets forth a breakdown of our advisory service revenue by customer industries during the years or periods indicated, both in absolute amount and as a percentage of total advisory fee income.

	For the year ended December 31,						For the six months ended June 30,			
	2016		2017		2018		2018		2019	
	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage
	(RMB in thousands, except for percentage)									
Big data	6,919	10.7	6,904	9.2	18,368	25.4	6,519	25.2	4,926	10.8
Eco-solutions	23,636	36.6	22,240	29.7	17,422	24.1	2,760	10.7	11,853	26.1
Life sciences & healthcare	15,671	24.3	7,919	10.6	11,530	16.0	7,166	27.7	11,586	25.5
Intelligent manufacturing	12,472	19.3	23,347	31.2	16,967	23.5	4,265	16.5	9,972	22.0
Internet-based products & services	4,984	7.7	9,905	13.2	6,226	8.6	3,452	13.3	6,305	13.9
Others	868	1.4	4,495	6.1	1,699	2.4	1,698	6.6	781	1.7
Total	**64,550**	**100.0**	**74,810**	**100.0**	**72,212**	**100.0**	**25,860**	**100.0**	**45,423**	**100.0**

We typically enter into separate advisory service agreements with our advisory service customers where we lay out the types and scope of services, total service fees, and payment installments. These agreements typically also impose certain obligations on our customers to cooperate with our information gathering and analysis activities, and provide timely feedback if any. The following table sets forth the number of advisory service agreements, lessees and average project size in terms of average service fee per service agreement during the years or periods indicated.

	For the year ended December 31,			For the six months ended June 30,	
	2016	**2017**	**2018**	**2018**	**2019**
Number of service agreements(1)	121	118	113	66	81
Number of lessees(1)	76	86	70	41	73
Advisory service fee per agreement (RMB in thousands)	533	634	639	392	561

(1) The number of service agreements exceeds the number of lessees, because some of our lessees entered into more than one service agreement with us.

The following table sets forth a breakdown of the number of lessees to whom we offered advisory services and their revenue contribution during the Track Record Period by lessee type.

	For the year ended December 31,						For the six months ended June 30,	
	2016		2017		2018		2019	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount
	(RMB in thousands, except for number of lessees)							
Public company lessees[1]	16	25,150	20	16,911	17	14,823	7	3,905
Non-public company lessees	60	39,400	66	57,899	53	57,389	66	41,518
Total	76	64,550	86	74,810	70	72,212	73	45,423

(1) Public company lessees include lessees that are public companies, and do not include lessees held by public companies. Public companies refer to companies whose shares, to the best knowledge of our Directors, were publicly listed on the National Equities Exchange and Quotations of China or a major stock exchange in China or overseas as of the Latest Practicable Date.

The following table sets forth a breakdown of the number of lessees to whom we offered advisory services and their revenue contribution during the Track Record Period by lessee industry.

	For the year ended December 31,						For the six months ended June 30,	
	2016		2017		2018		2019	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount
	(RMB in thousands, except for number of lessees)							
Big data	12	6,919	9	6,904	14	18,368	10	4,926
Eco-solutions	19	23,636	22	22,240	14	17,422	19	11,853
Life sciences & healthcare	19	15,671	20	7,919	17	11,530	21	11,586
Intelligent manufacturing	14	12,472	16	23,347	13	16,967	11	9,972
Internet-based products & services	9	4,984	12	9,905	11	6,226	10	6,305
Others	3	868	7	4,495	1	1,699	2	781
Total	76	64,550	86	74,810	70	72,212	73	45,423

Big data industry lessees who choose our advisory services primarily focus on developing technologies such as telecommunications, cloud computing, and mobile internet; eco-solutions industry lessees primarily focus on energy conservation, environmental protection and new energy source technologies; life sciences & healthcare industry lessees primarily focus on pharmaceutical products, medical devices, and medical services; intelligent manufacturing industry lessees primarily focus on new materials and new energy automobiles; and internet-based products & services industry lessees primarily focus on developing and offering various products and services dedicated to consumption upgrades. Because all of our advisory service customers were also our finance lease solution customers, please see "—Customer Industry Division" for a more detailed description on the industry backgrounds of our customers in general.

As of June 30, 2019, 24 of our employees from our various functional teams are involved in offering advisory services. Their primary responsibilities include understanding customer demands, advising on matters related to our policy advisory services, coordination with and supervising the third-party consulting firm and reviewing their work products.

The following table sets forth a breakdown of our advisory fee income by the types of services we offer, both in absolute amount and as a percentage of total advisory fee income.

	For the year ended December 31,						**For the six months ended June 30,**			
	2016		**2017**		**2018**		**2018**		**2019**	
	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage
	(RMB in thousands, except for percentages)									
Management and business consulting fee income	20,403	31.6	21,415	28.6	27,860	38.6	8,417	32.5	8,585	18.9
Policy advisory fee income	44,147	68.4	53,395	71.4	44,352	61.4	17,443	67.5	36,838	81.1
Total advisory fee income	64,550	100.0	74,810	100.0	72,212	100.0	25,860	100.0	45,423	100.0

Policy advisory

Leveraging our understanding of our customers and our experience in government policies on subsidies, grants and support for technology and new economy companies, we are well-versed in the availabilities and eligibility of various government grants, subsidies and support programs for which our customers might qualify. We introduce those programs to our customers and assist them in preparing the necessary application materials to apply the subsidies and support. We believe that by helping our customers apply more government subsidies and support, we lower their financing costs and accelerate their business expansion. We believe our policy advisory helps improve customer stickiness.

Management and business consulting

We cooperate with a third-party consulting firm to analyze the various aspects of our customers' business operations, including their business models, strategies, operation management, financing advisory, human resource management and internal control. As a result, we have accumulated a set of prevailing industry practices, which we believe improve the effectiveness and efficiency of their business operations. The third-party consulting firm was founded in 1996 and focuses on offering comprehensive management consulting services covering the entire corporate lifecycle to businesses in China. Having served customers from various industries since its inception, the firm has accumulated rich consulting experiences and robust databases covering a variety of industries. It has also received a number of awards and recognitions for its size, customer satisfactions and financial performances. In 2016, 2017, 2018 and the six months ended June 30, 2019, the amount of service fees paid to the third-party consulting firm, inclusive of taxes, was RMB1.0 million, RMB0.9 million, RMB0.4 million and RMB0.1 million, respectively.

We enter into management consulting service agreements with the third-party consulting firm with regards to management consulting projects. The key terms of the agreement are as follows.

- *Cooperation model*. We engage the third-party consultants to provide management consulting services to our lessees. The third-party consultants are required to provide timely updates upon completing major milestones of the consulting projects, and should address concerns we raise and incorporate inputs and feedback from us. We then share the end product with our lessee customers.

- *Scope and content*. The scope of the consulting projects primarily includes the following: (1) designing corporate reorganization plans, (2) assisting our lessees in executing the reorganization plans, (3) devising employee share incentive plans, (4) creating human resource management policies, and (5) offering management trainings to key personnel.

- *End product.* At the end of its services, the consulting firm presents us with final reports on corporate restructuring, management optimization, or other topics for which they are engaged.

- *Term*. The agreements typically specify a breakdown of the number of hours allocated to each stage of the consulting project.

- *Payment*. We generally pay the consultants in multiple installments after the completion of major milestones.

- *Termination*. We are entitled to terminate the agreements if the consultants fail to deliver satisfactory work products after our repeated feedbacks. After termination, we are no longer obligated to make the remaining payments. The consultants may terminate the agreement if we fail to make the milestone payments within a certain number of days after they become due.

In addition, as we have established close working relationships with a large pool of customers in the technology and new economy related industries, we serve as a bridge connecting different customers, gathering and providing proprietary market intelligence to complement each other's growth. We organize seminars where customer representatives network and share their entrepreneurial experiences with each other. As a part of the seminar, we invite professional management consultants to deliver lectures on leadership skills to customer representatives. We believe our management and business consulting services create a synergistic effect for our customers, enabling them to form business relationships that help them grow.

Customer Industry Division

We believe we are well-positioned to capitalize on the growth potentials of China's technology and new economy companies by maintaining a balanced customer portfolio comprising companies in the various technology and new economy industries, such as big data, eco-solutions, life sciences & healthcare, intelligent manufacturing, and internet-based products & services. We believe that these industries fit the government's macroeconomic development strategies, and enjoy vibrant and promising prospects. For detailed descriptions of these five industries we serve, see "Glossary" and "Industry Overview—China's Technology and New Economy Industries."

The following table sets forth our revenue by industry, both in absolute amount and as a percentage of total revenue.

	For the year ended December 31,						For the six months ended June 30,			
	2016		2017		2018		2018		2019	
	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage
	(RMB in thousands, except for percentages of revenue)									
Big data	51,763	16.3	49,710	13.9	68,438	16.6	28,184	15.6	39,843	15.9
Eco-solutions	112,099	35.2	108,323	30.2	108,251	26.2	41,147	22.7	60,254	24.1
Life sciences & healthcare	62,850	19.8	60,713	16.9	80,855	19.6	37,504	20.7	58,788	23.5
Intelligent manufacturing	48,880	15.4	74,916	20.9	86,257	20.9	38,852	21.5	52,390	21.0
Internet-based products & services	23,870	7.5	45,480	12.7	51,435	12.5	25,869	14.3	31,854	12.7
Others	18,584	5.8	19,439	5.4	17,547	4.2	9,358	5.2	6,922	2.8
Total	**318,046**	**100.0**	**358,581**	**100.0**	**412,783**	**100.0**	**180,914**	**100.0**	**250,051**	**100.0**

Big Data

We serve customers along the entire big data industry value chain, covering sectors such as data collection, transmission, storage and application. We also serve customers specialized in software development and consulting. In particular our big data customers cover the following sectors.

- *IOT and geo-information technologies:* data collection related businesses, including geo-information system (GIS), remote sensing (RS), Internet-of-things (IOT) equipment development and applications. Leased assets primarily include IOT terminals and testing equipment.

- *Telecommunications:* data transmission related businesses, including base station, wireless telecommunications, and 5G technologies. Leased assets generally include signal transmission stations and wired broadband infrastructure.

- *Internet data centers:* data storage related businesses, including internet data center (IDC) and content delivery network (CDN) technologies. Leased assets typically include data centers equipment.

- *Mobile Internet and cloud computing:* data application related businesses, including mobile internet industry and cloud computing. Leased assets typically include electronic devices.

As of June 30, 2019 and since our inception, we had served more than 80 lessees from the big data sectors, providing a total of more than RMB2.3 billion in funding.

Eco-solutions

Our eco-solutions customers primarily include high-technology companies dedicated to the development of energy conservation technologies and renewable energies. Our finance lease solutions serve customers in eco-solutions projects in the fields of distributed energy sources, sanitation-environment integration, and smog control. In particular, our eco-solutions customers cover the following sectors.

- *Energy conservation.* Energy conservation sector offers products and services that preserve energy by improving energy use efficiency which are widely applied in construction, manufacturing and transportation industries.

- *Environmental protection.* Environmental protection sector offers products and services to alleviate water and air pollutions.

- *New energy.* New energy sector explores clean energy sources and distributed energy sources.

We focus on the expected cash flow generated from an eco-solutions project, and typically treat all capital expenditures involved in an eco-solutions project, including both infrastructure investment and tangible equipment, as leased assets. We believe this enables us to better satisfy our customers' funding needs than those competitors who do not treat the infrastructure component of the projects as leased assets.

As of June 30, 2019 and since our inception, we had served more than 150 lessees from the eco-solutions sectors, providing a total of more than RMB4.3 billion in funding.

Life Sciences & Healthcare

Our life sciences & healthcare customers primarily include companies from the following sectors.

- *Pharmaceutical.* Our customers in this sector typically specialize in chemical medicine, biological medicine, Chinese medicine and pharmaceutical services. Leased assets typically include manufacturing equipment, assembly lines, and laboratory testing equipment.

- *Medical device.* Our customers in this sector typically specialize in medical device manufacturing and device component manufacturing. Leased assets include manufacturing equipment and assembly lines.

- *Medical service.* Our customers in this sector typically include non-public medical facilities such as privately-owned hospitals. Leased assets include medical devices, medicines and other hospital equipment.

- *Internet healthcare.* Our customers in this sector typically include remote healthcare and mobile healthcare providers. Leased assets include medical devices and hospital equipment.

As of June 30, 2019 and since our inception, we had served more than 290 lessees from life sciences & healthcare sectors, providing a total of more than RMB3.2 billion in funding.

Intelligent manufacturing

Our intelligent manufacturing customers primarily include companies dedicated to providing one-stop solutions to sectors such as new materials, new energy automobiles, new logistics, intelligent warehousing, industrial automation, robotics, and integrated circuits.

- *New materials*. Customers serving this sector typically specialize in semi-conductor materials, organic polymer materials, and metal composite materials.

- *New energy automobiles*. Customers serving this sector typically specialize in the various sectors along the new energy automobile industry value chain, such as anode and cathode materials, EIC systems (electric, instrumentation, computer control systems) and electric automobiles. In addition to electric automobile manufacturers, customers in this sector also include manufacturers and suppliers of electric automobile parts such as batteries and engines.

- *New logistics and intelligent warehousing*. Customers serving this sector typically specialize in new energy logistics vehicles and automated warehouse logistics operation. They manufacture robotics equipment and delivery new energy vehicles (such as electric vans and electric lorries) used in offering logistics solutions and warehouses operations solutions for logistics and warehousing companies. For examples, customers may use delivery vehicles in providing long-distance goods transportation services, or use robotics equipment (such as robot arms) in rearranging inventories within a warehouse among different shelves. Different from customers in the new energy automobiles sector, customers in new logistics and intelligent warehousing sector are more heavily focused on products related to logistics and warehouse operations, whereas customers in the new energy automobiles sector are more heavily focused on the manufacturing of consumer automobiles.

- *Industrial automation and robotics*. Customers serving this sector typically specialize in computer numerical control automation, robotics products and artificial intelligent technologies with the aim of ultimately replacing manual labor.

Manufacturing semi-conductor materials, organic polymer materials, metal composite materials, and integrate circuit assist serves as the foundations for general technological advancement and eco-friendly economic activities, which is one of the key focuses of new economy companies. Semiconductors are materials with characteristics of variable electrical conductivity, heterojunctions, excited electrons, light emission, high thermal conductivity and thermal energy conversion. Semiconductors are key components that are widely used in consumer electronics and telecommunications equipment, such as integrated circuits and chips used in smartphones and artificial intelligence applications. Organic polymer is an environmental friendly key raw material used in 3D printing due to its high strength, resilience and resistance to corrosion. Besides, organic polymer materials are applied in production of solar cells, sensors, LEDs and in many other technical applications to achieve longer useful life and lower carbon emission. A metal composite material is composite material with at least two constituent parts with one being a metal, and another being an organic compound or other metal materials to enable high performance in heavy duty tasks. Metal composite material with lightweight and high durability are applied in production of the body and components of aircraft, helicopters and spacecraft. Integrated circuits are essential for the production of different electronic devices from high-speed computers to 5G mobile phones. Our customers specialize in manufacturing advanced circuits with high performance capabilities to carry out high level tasks. The manufacturing processes typically involve using high precision machinery to undergo many micro-fabrication processes, such as ion implantation and thin-film deposition of various advanced materials, to produce highly integrated circuits.

We believe these four sectors are interconnected, forming a synergistic effect for each other. Meanwhile, we are exploring potential coverage of new sectors such as intelligent parking and integrated circuits. Leased assets for intelligent manufacturing customers typically include equipment used in research, development, manufacturing and testing of robotics products and automation equipment.

As of June 30, 2019 and since our inception, we had served more than 100 lessees from the intelligent manufacturing sectors, providing a total of more than RMB2.8 billion in funding.

Internet-based Products & Services

Our internet-based products & services customers primarily operate in the following two sectors: consumption upgrade and supply chain management.

- *Consumption upgrade*. Consumption upgrade-related industries developed together with the improvement of people's living standards in China and shopping experience. Customers in this sector typically specialize in dining services, new retail terminal manufacturing, and automobile services. Technology and new economy companies in the internet-based products & services industry typically present at least one of the following features: (1) new target customers with unmet demands, (2) new business models with a combination of innovation, technology, culture, fashion, etc., or (3) new technological advancements that revolutionize consumer acquisition, marketing, supply chain management, etc. Below are a few examples of how our customers in internet-based products & services industry demonstrate at least one of these features and therefore qualify as technology and new economy companies.

    ° Luckin Coffee (China) Co., Ltd. (瑞幸咖啡(中國)有限公司) ("Luckin") is a fast-growing coffee chain in China and a new economy company because it adopts the new business model under "new retail" concepts and harnesses the power of internet by providing in-app ordering and even allowing customers to order via leading third-party delivery apps. The new concepts allow Luckin to expand its customer base and operation scale at a relatively low capital expenditure level. In addition, Luckin leverages big data analytics and AI to analyze its customers' behavior and transaction data and reforms the traditional coffee retail business model in China by simplifying and standardizing coffee retail operations, improving operational efficiency, minimizing the amount of labor involved, and quickly expanding and scaling up its business scale. It also improved consumers' shopping experience from solely relying on offline stores by enabling consumers to place orders online and have products delivered. These improvements are becoming increasingly popular as the pace of life increases. Therefore, Luckin is a new economy company because it fits two of the features of technology and new economy companies in the internet-based products & services industry: (1) new business model, and (2) new technological advancements.

    ° Beijing Chuxin Technology Co., Ltd. (北京廚芯科技有限公司) ("Chuxin") is a technology and new economy company because it leverages new technological advancements by combining "artificial intelligence (AI)" and "internet-of-things (IOT)" technologies. In particular, Chuxin is a dishwasher rental service provider serving dining companies that offer catering services. Leveraging its breakthrough in proprietary IOT and AI technologies, Chuxin developed a more intelligent dishwasher model which helped its dining service provider customers improve their operational efficiencies and improved its competitiveness by its heating recycling technology and its built-in centralized monitoring system to keep track of the operating status of the dishwashers as to provide prompt maintenance and trouble-shooting services. Therefore, Chuxin is a new economy company because it fits one of the features of technology and new economy companies in the internet-based products & services industry: new technological advancements.

- ◦ Customer H is a technology and new economy company because it leverages new technological advancements such as "face recognition" technology in the process of payment and other cutting-edge AI technologies in the process of data collection. In particular, Customer H is an automated food and beverage vending machine manufacturer, which is a new type of retail business operator in China that operates smart vending machines in a number of major cities. It uses various internet technology to manage its vending machine network comprising tens of thousands of vending machines around the clock through advanced logistics management, consumer preference analysis, inventories and data management, which revolutionized traditional vending machine business. The vending machines also have built-in advertising platforms connected to the internet, which enables the owners of the vending machines to generate an extra means of income from displaying advertisements on the vending machines. Therefore, customer H is a new economy company because it fits two of the features of technology and new economy companies in the internet-based products & services industry: (1) new business model, and (2) new technological advancements.

- ◦ With part of the premises utilizing Olympic-level facilities and innovative technologies to offer unique recreational and exciting experience, Customer U is also considered a new economy company that satisfies the unmet entertainment demands from local customers by utilizing technological advancements. In particular, Customer U is a waterpark operator in Northern China which leverages advanced technology in its operation and management by using smart temperature monitoring system which constantly adjust and maintain water temperature at an optimal level according to the real time temperature. It also leverages internet technology which enables customers to purchase entrance tickets and to keep customers updated with its latest marketing and promotional activities through mobile application. Therefore, customer U is a new economy company because it fits two of the features of technology and new economy companies in the internet-based products & services industry: (1) new target customers, and (2) new technological advancements.

- *Supply chain management*. Customers in this sector typically specialize in cold-chain warehousing equipment and services, fresh food logistics, and industrial machine maintenance, repair and operations (MRO) supply chain. Customers who manufacture warehousing equipment and offer related services leverage their various types of technologies such as artificial intelligence and other automation technologies to offer wholesome warehousing operations solutions.

Meanwhile, we are exploring potential coverage of other new sectors such as office-space sharing, modern agriculture and consumer products. Leased assets for internet-based products & services customers typically include manufacturing equipment and service equipment, including factory manufacturing equipment, consumption terminals (a type of terminals that directly face consumers, typically including payment processing devices such as point-of-sales machines, and tablets with food ordering and payment functions), self-service new retail terminals (such as automated self-service vending machines where consumers can make payments and obtain goods, and doll-catching machines where after inserting coins consumers can attempt to maneuver the claws to capture the toys inside the machines), and other types of equipment. As of June 30, 2019 and since our inception, we had served more than 110 lessees from the internet-based products & services sectors, providing a total of more than RMB1.9 billion in funding.

As of June 30, 2019 and since our inception, we had also served more than 20 lessees falling outside the abovementioned sectors, providing RMB0.6 billion in funding.

PRICING POLICIES

Finance Lease Solutions

We price our finance lease solutions at floating rates and refer to the benchmark rate of the PBOC to mitigate our interest rate risks. We also consider customers' financial and business performances and the industries in which they operate to price our finance lease solutions. From October 24, 2015 to the Latest Practicable Date, no adjustment has been made to the PBOC benchmark interest rates. We have no reason to expect fluctuations of the PBOC benchmark rate in the foreseeable future, nor do we have sufficient information to be sure that fluctuations will not occur. However, we do not have industry-specific pricing policies, as we believe the key industries which we primarily serve do not have materially distinct risk profiles that warrant differentiated pricing policies. Due to the special characteristics of technology and new economy companies, we determine the interest rates for our lessees on a case-by-case basis taking into account the PBOC benchmark interest rate, customers' financial and business performance, and the industries in which they operate.

In 2016, 2017, 2018 and the six months ended June 30, 2018 and 2019, our interest income from finance leases was RMB253.5 million, RMB283.8 million, RMB340.6 million, RMB155.1 million and RMB204.6 million, respectively. In 2016, 2017, 2018 and the six months ended June 30, 2019, our net interest margin was approximately 2.9%, 3.1%, 3.6% and 3.5%, respectively. For details on our interest income and net interest margin, see "Financial Information—Description of Major Components of Our Consolidated Statements of Profit or Loss."

Effective Interest Rates

The annual interest rates we charged during the Track Record Period generally ranged from approximately 5.2% to 11.0%, and did not vary significantly by industry. In the six months ended June 30, 2019, such range was generally from 6.0% to 9.9%.

The following table sets forth the range of effective interest rates of finance lease agreements by industry, whose finance lease receivables were under the "normal" classification, as of the dates indicated. As advised by our PRC legal advisors, the interest rates do not violate any applicable PRC laws and regulations.

	As of December 31,			As of June 30,
	2016	2017	2018	2019
	(%)			
Big data	4.8-10.5	4.8-13.0	4.8-13.0	4.8-13.0
Eco-solutions	5.3-10.3	4.8-11.9	4.8-10.1	4.8-10.2
Life sciences & healthcare	4.3-13.8	4.3-10.1	4.3-17.0	4.3-17.0
Intelligent manufacturing	4.8-10.1	4.8-11.3	4.8-13.1	4.8-11.9
Internet-based products & services	6.1-13.5	5.5-11.4	5.5-11.0	5.5-10.2
Others	5.8-10.0	5.8-10.0	6.0-9.8	6.0-9.8

The following table sets forth the range of interest rate charged based on finance lease agreements by industry as of the dates indicated.

	As of December 31,			As of June 30,
	2016	2017	2018	2019
	(%)			
Big data	4.4-9.1	4.4-9.1	4.4-9.1	4.8-9.1
Eco-solutions	5.1-7.0	4.8-7.1	4.8-7.5	4.8-8.9
Life sciences & healthcare	4.3-7.1	4.3-7.1	4.3-8.7	4.3-8.7
Intelligent manufacturing	4.8-7.0	4.8-6.8	4.8-7.6	4.8-7.6
Internet-based products & services	4.8-8.6	4.8-8.6	4.8-8.5	5.5-8.0
Others	5.8-7.3	5.8-7.3	6.0-6.9	6.0-7.3

Advisory Services

We price our advisory services on a case-by-case basis. Service fee for each advisory project is individually negotiated with the customer taking into account the following factors: (1) the expected benefit we can bring to our customer, (2) the volume, scope and nature of the services required by the customer, (3) the cost we expect to incur in connection with the service, (4) bargaining power of the customer, and (5) the customer's significance to our business strategies.

As advised by our PRC legal advisors, there is currently no specific restriction under PRC laws or regulations on the range of advisory fees charged by us to our customers, and such business is not prohibited by the current PRC laws and regulations.

CUSTOMERS

We offer finance lease solutions and advisory services primarily to technology and new economy companies in the following five industries: big data, eco-solutions, life sciences & healthcare, intelligent manufacturing, and internet-based products & services. As of June 30, 2019 and since our inception, we had entered into more than 1,200 finance lease agreements with over 750 lessees, and over 550 lessees still have outstanding lease agreements with us. The following table sets forth the number of customers, number of lessees and number of outstanding lease agreements by industry as of June 30, 2019.

Industry	**Number of customers[(1)]**	**Number of lessees[(2)]**	**Number of lease agreements**	**Percentage of total number of lease agreements**
Big data	45	53	115	14.3%
Eco-solutions	86	111	138	17.2%
Life sciences & healthcare	109	243	328	40.8%
Intelligent manufacturing	61	78	111	13.8%
Internet-based products & services	52	62	93	11.6%
Others	10	12	19	2.3%
Total	**362**	**559**	**804**	**100.0%**

(1) As of June 30, 2019, a customer operated business in both eco-solutions and intelligent manufacturing industries.

(2) Lessee entities within one group company are tallied as one single customer. Therefore, one customer group company may contain multiple lessees that have entered into finance lease agreements with us.

In 2016, 2017, 2018 and the six months ended June 30, 2019, revenue from our five largest customers accounted for approximately 14.5%, 15.4%, 11.8%, and 9.5% of our total revenue, respectively. During the same periods, revenue from our largest customer accounted for approximately 4.3%, 3.8%, 2.7% and 2.2% of our total revenue, respectively.

During the Track Record Period, all of our five largest customers for the same periods are Independent Third Parties, and none of our Directors, their respective close associates or shareholders who to the knowledge of our Directors own more than 5% of our issued share capital had any interest in any of our five largest customers.

The following tables set forth the details on our five largest customers in terms of revenue (including both interest income and advisory service fees) in each period during the Track Record Period.

Customer	Balance of finance lease receivables at period end	Revenue from the customer	Percentage of total revenue	Years of relationship with us	Customer primary industry	Background	Payment term
	RMB in millions	*RMB in millions*	*%*	*Years*			
Six months ended June 30, 2019							
Company A	97.7	5.4	2.2%	1	Intelligent manufacturing	Group companies dedicated to the research, manufacturing and sales of new energy automobile batteries and lithium batteries	Quarterly and monthly
Company B	139.6	5.1	2.0%	1	Big data	A company dedicated to the research, services and sales of electromagnetic blocking, electronic devices and new materials	Quarterly
Company C	95.1	4.6	1.8%	6	Eco-solutions	Group companies dedicated to transforming energy structures from coal to natural gas	Quarterly
Company D	101.8	4.4	1.8%	5	Life sciences & healthcare	Group companies dedicated to the research, manufacturing, sales, applications and services of medical devices	Quarterly
Company E	141.5	4.3	1.7%	4	Eco-solutions	Group companies dedicated to generating and supplying clean heating services and electricity whose shares are publicly listed in the PRC	Quarterly
2018							
Company E	163.3	11.3	2.7%	4	Eco-solutions	Group companies dedicated to generating and supplying clean heating services and electricity whose shares are publicly listed in the PRC	Quarterly
Company D	152.2	10.5	2.5%	5	Life sciences & healthcare	Group companies dedicated to the research, manufacturing, sales, applications and services of medical devices	Quarterly
Company F	105.6	9.6	2.3%	5.5	Others	Group companies dedicated to producing metal parts	Quarterly and monthly

Customer	Balance of finance lease receivables at period end	Revenue from the customer	Percentage of total revenue	Years of relationship with us	Customer primary industry	Background	Payment term
	RMB in millions	*RMB in millions*	*%*	*Years*			
Company G	121	9.5	2.3%	3	Intelligent manufacturing	Group companies dedicated to the research, development and manufacturing of numerical control tools	Quarterly
Company H	98.4	8.3	2.0%	2	Internet-based products & services	A consumer product company dedicated to manufacturing automated food and beverage vending machines	Quarterly
2017							
Company I	153.7	13.6	3.8%	3.5	Intelligent manufacturing	A comprehensive service provider of new energy solutions	Quarterly
Company G	203.3	13.2	3.7%	3	Intelligent manufacturing	Group companies dedicated to the research, development and manufacturing of numerical control tools	Quarterly
Company E	151.6	11.2	3.1%	4	Eco-solutions	Group companies dedicated to generating and supplying clean heating services and electricity whose shares are publicly listed in the PRC	Quarterly
Company D	139.7	8.6	2.4%	5	Life sciences & healthcare	Group companies dedicated to the research, manufacturing, sales, applications and services of medical devices	Quarterly
Company J	121.2	8.5	2.4%	3	Intelligent manufacturing	Group companies dedicated to the research, manufacturing and sales of lithium batteries	Quarterly
2016							
Company E	143	13.8	4.3%	4	Eco-solutions	Group companies dedicated to generating and supplying clean heating services and electricity whose shares are publicly listed in the PRC	Quarterly
Company K	97.6	8.7	2.7%	4	Life sciences & healthcare	Group companies dedicated to biochemistry and medical devices whose shares are publicly listed in the PRC	Quarterly

Customer	Balance of finance lease receivables at period end	Revenue from the customer	Percentage of total revenue	Years of relationship with us	Customer primary industry	Background	Payment term
	RMB in millions	*RMB in millions*	*%*	*Years*			
Company I	106.3	8.0	2.5%	3.5	Intelligent manufacturing	A comprehensive service provider of new energy solutions	Quarterly
Company F	65.8	8.0	2.5%	5.5	Others	Group companies dedicated to producing metal parts	Quarterly and monthly
Company L	73.8	8.0	2.5%	5.5	Eco-solutions	Group companies dedicated to the research and application of natural gas	Monthly

In 2016, 2017, 2018 and the six months ended June 30, 2019, advisory fee income from our five largest advisory service customers accounted for approximately 6.4%, 6.1%, 4.3%, and 4.1% of our total revenue, respectively. All of these companies are also our finance lease solutions customers from the five industries we primarily serve. In 2016, 2017, 2018 and the six months ended June 30, 2019, revenue from the overlapping lessees, including interest income and advisory service fee, accounted for approximate 46.5%, 45.1%, 37.4% and 32.0% of our total revenue, respectively

During the Track Record Period, all of our advisory service customers are also our finance lease solutions customers. The following table sets forth the number of and revenue generated from overlapping lessees during the years or periods indicated.

	For the year ended December 31,			For the six months ended June 30,	
	2016	2017	2018	2018	2019
Number of overlapping lessees[(1)]	76	84	69	38	73
Total revenue from overlapping lessees *(RMB in thousands)*					
Advisory service fee[(2)]	64,550	71,358	70,317	23,697	45,423
Interest income[(3)]	83,357	90,251	84,212	18,980	34,660
Total	**147,907**	**161,609**	**154,529**	**42,677**	**80,083**

(1) Overlapping lessees refer to the lessees, from whom both advisory service fees and interest income are recognized during the same years or periods. The advisory service and the interest income from a specific customer might not be recognized during the same years or periods.

(2) Advisory service fees are recognized at a point in time when advisory services are completed.

(3) Interest income is recognized using the effective interest method over the respective lease terms of the finance lease agreements.

FUNDING SOURCES

We have diverse and sustainable funding sources to support our business growth, which primarily include commercial bank loans, asset-backed securities and entrusted loans from our Controlling Shareholders and their subsidiaries.

The following table sets forth the amount of proceeds from borrowings we received through our various funding sources for the years or periods indicated.

	For the year ended December 31,			For the six months ended June 30,	
	2016	**2017**	**2018**	**2018**	**2019**
	(RMB in thousands)				
Commercial banks	958,642	881,930	1,379,638	668,800	990,578
Asset-backed securities(1)	576,000	–	681,000	–	–
Entrusted loans	630,000	476,000	318,000	18,000	300,000
Others(2)	130,000	–	–	–	–
Total	**2,294,642**	**1,357,930**	**2,378,638**	**686,800**	**1,290,578**

(1) Including asset-backed securities held by us in the amount of RMB57.0 million in 2016 and RMB92.0 million in 2018.

(2) "Others" refer to our financing from another finance lease company which is an Independent Third Party through the transfer of our rights to receive payments from the finance lease receivable, and we did not enter into similar financing arrangements thereafter. According to the F&S Report, it is a commonly used arrangement for finance lease companies to obtain financing from other finance lease companies in the industry. Our management considers a diversified funding source as a critical factor to support our business growth. Except for obtaining borrowings from our Controlling Shareholders and independent third-party commercial banks and financial institutions and issuing asset-backed securities, we also explored obtaining financing from another independent third-party finance lease company in 2016 with principal amount of RMB130.0 million and incurred interest expenses of RMB1.9 million in 2016. However, considering the interest rate and other terms offered by the independent third-party finance lease company, we considered that they were no more favorable than our other funding sources.

Commercial Bank Loans

As of June 30, 2019 and since our inception, we had worked with more than 20 commercial banks in China from whom we had cumulatively obtained more than RMB5.0 billion through credit loans. The term generally varies from one year to three years. For certain commercial bank loans, we offer our finance lease receivables as pledge. See "Financial Information—Indebtedness—Fund from Commercial Banks."

Key terms of our financing agreements with commercial banks include the following.

- *Principal and interest rate*. The agreements set forth the principal amount, interest rate and payment terms. Agreements granting us credit facilities typically set forth the principal repayment date and conditions of draw-downs.

- *Post-loan monitoring.* The agreements typically set forth an account over which the lenders have oversight and into which we must make repayments.

- *Guarantee*. The agreements set forth credit enhancement measures, such as guarantees, collaterals, or pledges, if any.

- *Representations and warranties*. We typically represent that our corporate existence and business operations are in compliance with applicable laws and our borrowing activities are authorized by the relevant authorities. We also undertake to use the proceeds according to the use of proceeds provisions of the agreements. We also agree to provide timely audited financial statements upon request. We also undertake to notify the lender if any material events happen to us which may affect our repayment abilities.

- *Penalties*. The agreements set forth the additional interest rates if we default on our payments or if we fail to use proceeds according to relevant provisions of the agreements.

- *Early repayments*. The agreements typically provide whether early repayment is permitted, and conditions and steps we should satisfy and undertake to terminate the agreements and any credit facilities.

- *Transferability.* The agreements typically set forth whether lender is permitted to transfer its rights to third-parties and relevant conditions and steps for such transfers.

Asset-backed Securities

We also utilize asset-backed securities as an important and creative funding source and have launched four asset-backed securities programs since 2015. We have notified the relevant authorities with regards to each asset-backed securities program. As advised by our PRC legal advisors, we have gained necessary legal approval and completed necessary procedures with regards to our programs. The following table sets forth the amount we have raised through asset-backed securities. For details, see "Financial Information—Indebtedness" and note 21 to the Accountants' Report included in Appendix I to this prospectus.

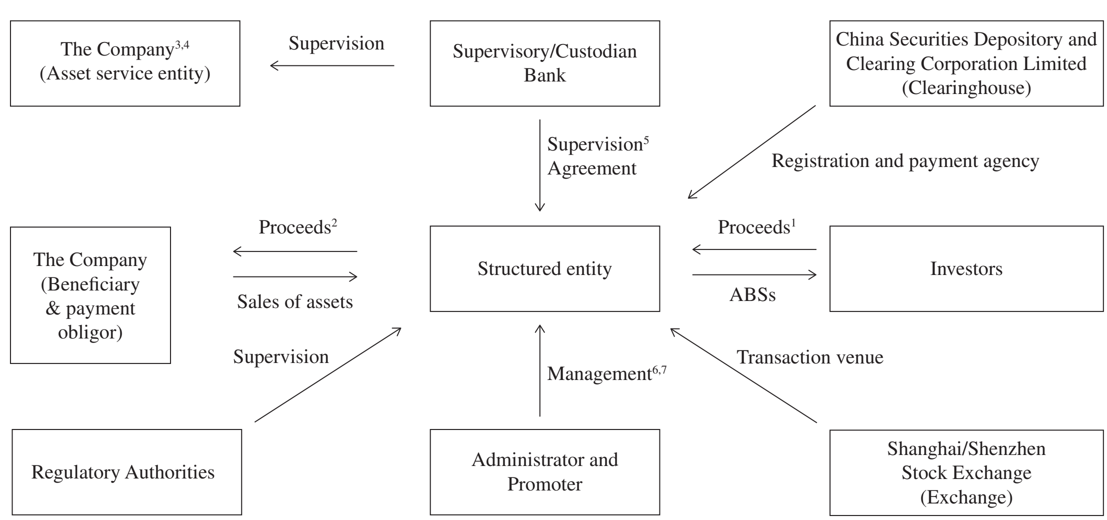
Phase	Issuance date	Amount raised(1)	Interest rate range(1)	Term	Latest expected maturity date
				(year)	
Phase 1	August 2015	RMB500.0 million	5.0% – 7.0%	2.8	June 2018
Phase 2	August 2016	RMB519.0 million	3.4% – 4.0%	1.8	June 2018
Phase 3	October 2018	RMB589.0 million	5.8% – 6.7%	2.0	October 2020
Phase 4	August 2019	RMB970.0 million	4.7% – 5.4%	3.0	August 2022

(1) Not including asset-backed securities held by us in the amount of RMB57.0 million in 2016 and RMB92.0 million in 2018.

We hold certain tranches of these ABSs by ourselves, primarily because (1) it is customary in the finance lease industry for issuers of ABSs to do so, while Shanghai and Shenzhen Stock Exchanges released guidelines in 2018 requiring issuers to retain at least 5% of the issued securities, and (2) it helps boost investor confidence and lower our financing costs.

Phase 1 and Phase 2 of the ABS program have been fully repaid in June 2018 and March 2018, respectively. Both phases have been therefore settled.

The following flowchart sets forth the processes and parties involved in a typical ABS transaction.



The roles of the major intermediaries involved in the ABS programs include the following.

- Supervisory Bank creates deposit account for the ABS transaction in accordance with the supervision agreement, and also serves as the Custodian Bank which manages the appropriated funds in according with the trust agreement.

- Administrator creates and manages the structured entity, perform various managerial obligations including, without limitations, disclosures, terminations, liquidations, reporting and other managerial obligations. It also serves as the Promoter which is responsible for the promotion and sales of ABSs.

- China Securities Depository and Clearing Corporation Limited performs ABS registration, payment and clearing in accordance with the contract with the structured entity.

- Shanghai/Shenzhen Stock Exchange provides the transaction platform for ABS.

The processes of a typical ABS transaction are as follows.

1 Qualified investors enter into subscription agreements with the administrator and transfer funds to the administrator. The administrator creates the structured entity, and the investors become holders of the asset-backed securities.

2 The administrators enter into asset transfer agreement with us as the beneficiary whereby the administrators transfer the funds from investors to us, and we transfer our packaged finance lease receivables to the administrators.

3 Pursuant to the asset service agreements, we as the asset service entity collect the lease payments arising out of finance leases which underlie the finance lease receivables, and handle collection, disposals and other activities related to the finance leases as underlying assets of the ABSs.

4 Lessees make lease payments according to the finance lease agreements to us.

5 Supervisory bank creates deposit account for the ABS transaction, and appropriate funds generated from our collection of lease payments into the account pursuant to our instruction as the asset service entity and pursuant to the supervision agreement. The supervisory bank also serves as the custodian bank and manages the appropriated funds according to the custody agreement. When special payment obligations occur, we as the payment obligor make payments into the account.

6 The administrator sends payment instructions to the custodian bank which then distribute funds to designated accounts as payments of principal and expected return of the ABS.

7 The administrator performs the relevant disclosure, termination, liquidation, reporting and other managerial obligations in relations to the ABS.

The investors of our ABSs include (1) asset management plans and wealth management products initiated by commercial banks, (2) trust products initiated by the trust companies, commercial banks, and other financial institutions, and (3) the issuer who is required to hold certain tranches of the ABSs according to relevant regulations.

As of the Latest Practicable Date, save as certain tranches of these ABSs held by ourselves as disclosed above, we were not aware any of our Shareholders, Directors, senior management or any of their respective associates who was or is an investor of our ABSs. To procure investors, our administrator and promotor helps us attract potential investors and hold roadshows where we present ourselves and where potential investors decide whether to invest in our ABS programs.

Phases 1 and 2 of our ABSs were once listed on Shanghai Stock Exchange. Phase 3 is listed on Shanghai Stock Exchange, and the Phase 4 is listed on Shenzhen Stock Exchange.

The key terms of our asset-backed securities agreement ("ABS agreement"), between funding providers and us include the following:

- *Underlying assets*. The ABS agreements describe the underlying assets, which primarily include our lease receivable. The ABS agreements also set forth details of the underlying assets, such as lease principals, interest rate ranges, geographical locations and industries of lessees, lease models and lease terms. In addition, these agreements set forth credit enhancement measures and the order by which they are triggered, all of which aim at ensuring that holders of ABSs be paid according to the pre-agreed schedule.

- *Profit forecast and cash flow projection.* The ABS agreements set forth a forecast and projection of future cash flow generated by the underlying assets based on a set of assumptions.

- *Cash allocation.* The ABS agreements provide for process of cash payment, and the order by which lenders are repaid. The ABS agreements generally set forth the standard for dividing the lease agreements into different classes based on credit ratings of those underlying assets by third-party evaluators. The underlying assets are typically divided into several levels of priority, each with its own credit rating. Lenders who hold assets of a lower level of priority will get paid only after all lenders holding assets of a superior level are fully paid.

- *Repurchase.* If lessees in some classes of underlying assets fail to make timely lease payments, we and/or our Controlling Shareholder agree to pay to ensure that holders of certain classes ABSs receive their payments by order according to the ABS agreements.

Funding from Our Controlling Shareholders and their Subsidiaries

During the Track Record Period, our Controlling Shareholders and their subsidiaries had granted us RMB1.7 billion cumulatively through several entrusted shareholder loans, with an outstanding balance as of June 30, 2019 of RMB1.6 billion. We are adjusting our funding structure by increasing the proportion of bank borrowings and asset-backed securities while reducing the proportion of entrusted shareholder loans.

The following table sets forth the balance of each type of borrowing as of the dates indicated.

	As of December 31,			As of June 30,
	2016	2017	2018	2019
	(RMB in thousands)			
Commercial banks	1,144,043	1,005,088	1,414,152	1,697,904
Asset-backed securities	499,237	111,177	587,595	302,474
Entrusted loans	1,400,000	1,496,000	1,318,000	1,600,000
Total	**3,043,280**	**2,612,265**	**3,319,747**	**3,600,378**

For more details on our indebtedness during the Track Record Period and as of October 31, 2019, see "Financial Information—Indebtedness."

Going forward, we expect to continually adhere to our flexible and diverse funding strategy and optimize our funding sources in response to the constantly changing economic and capital market environment.

Except for ZGC group, a Controlling Shareholder of ours, none of our Directors, their respective close associates or shareholders who to the knowledge of our Directors own more than 5% of our issued share capital had any interest in any of our five largest funding sources during the Track Record Period.

The following chart sets forth the top five funding sources in each year or period during the Track Record Period.

Funding Source	Interest payment	Percentage of total funding cost	Years of relationship with us	Nature of source	Background	Interest rate ranges	Remaining balance as of end of year/ period
	RMB in millions	*%*	*Years*				*RMB in thousands*
Six months ended June 30, 2019							
ZGC Group	37.4	42.6%	5.5	Entrusted shareholder loan	Our controlling shareholder	4.35%-7.00%	1,600,000
Company M	10.2	11.6%	4	ABS	An asset management company located in Southern China	5.80%-6.70%	302,474
Company N	10.0	11.4%	3.5	Bank loan	A city commercial bank headquartered in Nanjing whose shares are publicly listed in the PRC	5.00%-5.70%	435,070

Funding Source	Interest payment	Percentage of total funding cost	Years of relationship with us	Nature of source	Background	Interest rate ranges	Remaining balance as of end of year/ period
	RMB in millions	*%*	*Years*				*RMB in thousands*
Company O	6.4	7.3%	5	Bank loan	A commercial bank headquartered in Beijing whose shares are publicly listed in the PRC	5.22%	300,000
Company P	6.1	7.0%	5.5	Bank loan	A commercial bank headquartered in Beijing whose shares are publicly listed in the PRC and Hong Kong	4.75%-5.70%	144,720
2018							
ZGC Group	61.2	44.9%	5.5	Entrusted shareholder loan	Our controlling shareholder	4.35%-7.00%	1,300,000
Company N	14.8	10.8%	3.5	Bank loan	A city commercial bank headquartered in Nanjing whose shares are publicly listed in the PRC	4.79%-5.70%	392,300
Company O	8.7	6.4%	5	Bank loan	A commercial bank headquartered in Beijing whose shares are publicly listed in the PRC	4.79%-5.22%	180,000
Company M	7.6	5.6%	4	ABS	An asset management company located in Southern China	3.98%-7.00%	587,595
Company Q	6.0	4.4%	5	Bank loan	A large state-owned commercial bank headquartered in Beijing whose shares are publicly listed in the PRC and Hong Kong	4.75%	94,891

Funding Source	Interest payment	Percentage of total funding cost	Years of relationship with us	Nature of source	Background	Interest rate ranges	Remaining balance as of end of year/ period
	RMB in millions	*%*	*Years*				*RMB in thousands*
2017							
ZGC Group	63.2	50.1%	5.5	Entrusted shareholder loan	Our controlling shareholder	4.35%-7.00%	1,300,000
Company M	14.2	11.3%	4	ABS	An asset management company located in Southern China	3.58%-7.00%	111,177
Company N	8.9	7.0%	3.5	Bank loan	A city commercial bank headquartered in Nanjing whose shares are publicly listed in the PRC	4.13%-5.23%	249,000
Company P	5.4	4.3%	5.5	Bank loan	A commercial bank headquartered in Beijing whose shares are publicly listed in the PRC and Hong Kong	4.75%	46,837
Company Q	4.6	3.6%	5	Bank loan	A large state-owned commercial bank headquartered in Beijing whose shares are publicly listed in the PRC and Hong Kong	4.75%	130,587
2016							
ZGC Group	52.9	42.7%	5.5	Entrusted shareholder loan	Our controlling shareholder	4.35%-7.00%	1,300,000
Company M	20.2	16.3%	4	ABS	An asset management company located in Southern China	3.40%-7.00%	499,237
Company P	8.9	7.2%	5.5	Bank loan	A commercial bank headquartered in Beijing whose shares are publicly listed in the PRC and Hong Kong	4.75%	120,791

Funding Source	Interest payment	Percentage of total funding cost	Years of relationship with us	Nature of source	Background	Interest rate ranges	Remaining balance as of end of year/ period
	RMB in millions	*%*	*Years*				*RMB in thousands*
Company R	6.0	4.9%	5	Bank loan	A commercial bank headquartered in Shanghai whose shares are publicly listed in the PRC	5.23%	101,863
Company S	6.0	4.8%	5	Bank loan	A commercial bank headquartered in Beijing whose shares are publicly listed in the PRC	4.75%	85,432

SALES AND MARKETING

We carry out our sales and marketing activities primarily through our sales and marketing personnel and frontline employees from our five industry-focused business project teams. Our sales and marketing team and our business project teams are responsible for devising our branding and marketing strategies and maintaining our existing working relationships with relevant government authorities and industry partners.

Our various industry-focused business project teams are responsible for attracting new customers and expanding business collaborations with existing ones. Leveraging the rich experience and connections in technology and new economy industries, the project managers in our business project teams are capable of closely following the developments of our customers and discovering new opportunities of cooperation, which helps enhance customer stickiness and share in our customers' growth.

We also organize events such as industry exhibits and competitions aimed at providing entrepreneurs a forum to showcase their business ideas and strategies. These events offer us a forum to establish contact with companies and potential entrepreneurs with sound business strategies and core technological capabilities who are potentially in need of financing support. For example, in 2018, we co-organized "Zhongguancun International Advanced Technology Innovation Competition" with Zhongguancun Management Committee to attract companies with industry leading technologies and strong independent research and development capabilities. We established contact with more than 199 potential customers, and decided to follow up with more than half of them for potential business cooperation. We have also organized industry-wide events to discover specialized technology and new economy companies. For example, in 2018 we organized the "Fourth Environmental Protection Innovation and Entrepreneurship Competition" through which we established contact with 44 potential customers, some of which became our customers and entered into finance lease agreements with us thereafter. We also work closely with investment funds, industry associations, high-tech industrial parks and commercial banks to acquire information about perspective customers with financing needs.

COMPETITION

We compete with companies in China's technology and new economy finance lease industry, which is relatively fragmented according to the F&S Report. In 2018, the total revenue of the 15 largest technology and new economy finance lease companies was RMB16.0 billion, accounting for a combined market share of 37.0%. We compete primarily against finance lease companies with a business focus on serving technology and new economy companies. We also compete with other finance lease companies whose business coverage includes technology and new economy industries. Besides finance lease companies, we also compete with other financial institutions such as commercial banks whose business include providing funding to technology and new economy companies.

According to the F&S Report, we are highly competitive among our competitors primarily due to (1) our strategic focus to primarily serve technology and new economy companies, (2) our robust risk management structure, policies, procedures and tools designed to tackle the unique risks arising out of serving technology and new economy companies, (3) our comprehensive advisory services in addition to the funding support from our finance lease solutions which facilitate the growth of technology and new economy companies, and (4) our wide industry recognition as demonstrated by the various awards we have received.

See "Industry Overview" for more information on the industry in which we compete and serve.

INFORMATION TECHNOLOGY

Our information system is integral to the successful operation of our business. We are committed to building and maintaining an IT system framework which supports and ensures the operations of our business and the safety of our data and other confidential materials. In particular, our information technology team is primarily responsible for maintaining the safety and functionality of our sub-systems, including lease business operation system, finance system, pricing and asset classification system, and office automation systems.

Lease Business Operation System

Our lease business operation system supports various activities of our finance lease solutions, and enhances the efficiency and reliability of our business operations in the following aspects.

- *Online project evaluation*. Our lease business operation system collects the basic information of each lease including the identity of the customer, lease solution design, leased assets, due diligence reports on the customers and other information collected by the project team. Our business operation system then electronically transmits these information to other teams for review and approval pursuant to our operational workflow. See "Risk Management—Credit Risk Management—Specialized and Open Project Assessment and Approval Procedures."

- *Operating data recording and monitoring*. After the commencement of leases, our lease business operation system collects and records lease operating and financial data which enables us to gain an accurate and timely understanding of the performance of our lease receivables. We are able to issue *fa piao* (tax receipts) in bulk, which significantly reduced the amount of human efforts and enhanced our operational efficiency.

Finance System

We have implemented the UFIDA ERP-U8 financial reporting system. The UFIDA ERP-U8 system supports the recording and execution of our routine day-to-day cash inflow and disbursement, as well as making period-end accounting adjustments and preparing draft financial reports. Our financial reporting system significantly enhanced the efficiency and accuracy of our financial reporting function, offering us meaningful financial information and insight into our business operations while consuming less human resources.

INSURANCE

We require our customers to purchase and maintain insurance policies on the leased assets to cover any potential losses or damages to such assets during the lease terms. Our customers are responsible for making timely insurance payments to insurance providers in addition to lease payments. We are generally the sole or top priority beneficiaries of those insurance policies.

As of the Latest Practicable Date, we had not experienced any business interruptions that had a material adverse effect on our business operations. Based on industry practice in China, our industry experiences, and the availability of insurance products in China, our Directors believe that we have maintained sufficient insurance coverage for our current operations.

Our insurance policies are generally underwritten by reputable insurance providers. We generally require lessees' to purchase insurance on leased assets. The insurance periods over leased assets are required to be no shorter than the lease terms.

INTELLECTUAL PROPERTIES

As of the Latest Practicable Date, we had registered 12 software copyrights related to our risk management system and five domain names for our usual website.

EMPLOYEES

As of June 30, 2019, we had a total of 108 employees, all of whom are located in Beijing. Among our employees, 44 have obtained a bachelor's degree and 63 have obtained a master's degree or above. The following table sets forth a breakdown of our employees by function as of June 30, 2019.

	Number of employees	Percentage
Business project teams	42	38.9%
Project assessment and management[1]	30	27.8%
Administrative and senior management[2]	26	24.1%
Financial market	6	5.5%
Sales and marketing	4	3.7%
Total	**108**	**100.0%**

(1) Including project assessment team, asset management team, risk management team, and information technology team.

(2) Including strategic investment team, finance team, human resource team, and secretariat.

We primarily recruit our employees through recruitment agencies, internal reference, and online recruiting channels, including our corporate website, job search websites and social networking platforms. We evaluate potential candidates' educational background, skill set and their reasons for applying for the position to ensure we recruit the people that are fit for the position. We offer a series of introductory trainings to new employees to bring them up to speed with our business and requirements on employees. We have implemented a mentorship program through which we assign a mentor to each new employee to help them adapt to and identify with our corporate culture and gain a sense of belonging, which we believe contribute to higher employee work efficiency and loyalty. We also offer regular trainings to existing employees to refresh and update their knowledge base and skill set, which help them cope with the evolving business environment in which we operate.

As required under PRC regulations, we participate in various employee social security plans that are organized by applicable local municipal and provincial governments, including housing, pension, medical, work-related injury and unemployment benefit plans. We are required under PRC laws to make contributions to employee benefit plans at specified percentages of the salaries. As advised by our PRC legal advisors, during the Track Record Period and up to the Latest Practicable Date, we did not commit any material non-compliance of the laws and regulations relating to employee benefit plans.

We believe that we maintain a good working relationship with our employees and we had not experienced any material labor disputes or any difficulty in recruiting staff for our operations during the Track Record Period and up to the Latest Practicable Date. During the Track Record Period, we did not experience any strikes, protests or other material labor disputes that materially and adversely impacted our business operations, financial position or our corporate image and reputation.

We have established a labor union, and we believe we have maintained a good working relationship with our employees.

PROPERTIES

Owned Properties

As of the Latest Practicable Date, we did not own any properties.

Leased Properties

As of the Latest Practicable Date, we operated our businesses through two leased properties in Beijing, with a total gross floor area of approximately 3,467.8 square meters. Such properties primarily serve as our administrative offices.

Our lease agreements in respect of the abovementioned two leased properties generally have expiration dates ranging from May 31, 2021 to June 30, 2021. We plan to renew our leases or negotiate new terms when the existing leases expire. The lessors of our leased properties are ZGC Group and one of its subsidiaries. We did not experience material difficulties in negotiating renewal of our leases with our landlords during the Track Record Period and up to the Latest Practicable Date. We believe that there is sufficient supply of office spaces in China. Even if we experience temporary interruptions to our usage of any of our leased properties, considering that we do not carry out any production, manufacturing or physical retail activities, we believe that we are able to locate alternative office spaces that suit our needs at reasonable costs without undue delay. Therefore, we do not rely on the existing leases for our business operations, and we do not believe a contingency relocation plan is required.

Our two leased properties are not registered with the relevant authorities. As advised by our PRC legal advisors, the maximum amount of penalty for such non-registration is RMB20,000 in aggregate, and the non-registration does not affect the effectiveness of the lease agreements. Our Directors are of the view that the non-registration does not have a material adverse impact on our business operations.

As of the Latest Practicable Date, the lessor of one of our leased properties in China had not provided us with title certificate. However, such lessor had obtained confirmation from the local government of Haidian District in Beijing that the property was not in violation of relevant laws and regulations. Our Directors are of the view that the lack of title certificates by our lessor does not have a material adverse impact on our business operations.

LICENSES, PERMITS AND APPROVALS

Our PRC legal advisors have advised that during the Track Record Period and up to the Latest Practicable Date, we had obtained all licenses, permits, and approvals necessary to conduct our operations in all material respects from the relevant government authorities in China, and such licenses, permits, approvals and certificates remained in full effect. In particular, on January 31, 2013, MOFCOM and SAT issued "Notifications on the Confirmations and Cancellations of Interim Business Qualifications of Domestic Finance Lease Companies" (《商務部稅務總局關於確認及取消有關企業內資融資租賃業務試點資格的

通知》) which granted us approval to operate our finance lease business. On August 29, 2019, the local branch of the food and drug administration issued permits which granted us approval to wholesale certain medical devices which will expire on December 23, 2023.

AWARDS AND RECOGNITION

During the Track Record Period, we received a number of awards and recognition for the quality and popularity of our business. Some of the significant awards and recognition we have received are set forth below.

Year	Award/Certificate	Issuing Organization
2017	Fastest Growing Finance Lease Company of the Year (年度最具成長性租賃公司)	Financial News (《金融時報》)
2015-2016	Finance Lease Company of the Year (年度租賃公司)	Leasing Business Committee of China Association of Enterprises with Foreign Investment (CAEFI) (中國外商投資企業協會中國外商租賃業委員會)
2016	Outstanding Finance Lease Company of 2016 (2016融資租賃優秀企業)	Beijing Leasing Industry Association
2016	Energy Conservation Industry Outstanding Contribution Award (節能服務產業突出貢獻獎)	China Energy Conservation Association
2015	Top Ten Finance Lease Companies of 2015 (2015年融資租賃十強企業)	Beijing Leasing Industry Association
2015	Innovative Leasing Company of the Year (年度最具創新力租賃公司)	Financial News (《金融時報》)

LEGAL PROCEEDINGS AND COMPLIANCE

Legal Proceedings

We are subject to legal proceedings, investigations and claims arising in the ordinary course of our business from time to time. As of the Latest Practicable Date, we were not involved in any litigation or arbitration proceedings pending or, to our knowledge, threatened against us or any of our Directors that could have a material and adverse effect on our business, financial condition or results of operations.

Compliance

We are subject to a number of regulatory requirements and guidelines issued by the regulatory authorities in China. As advised by our PRC legal advisors, during the Track Record Period and up to the Latest Practicable Date, we were not subject to any administrative penalty or punishment, and we did not commit any material non-compliance of the laws and regulations which, individually or in aggregate, have had or are likely to have in the future, a material financial or operational impact on us. Nor did we experience any systematic non-compliance whose recurring nature may reflect negatively on our, our Directors', or our senior management's ability or tendency to operate in a compliant manner.

ENVIRONMENT, PRODUCT QUALITY AND TECHNICAL MATTERS

Due to the nature of our business, as advised by our PRC legal advisors, we do not currently have any material liabilities relating to environment, product quality and technical matters and do not expect to incur any material liabilities in these regards which could have any material adverse impact on our business and operating results. During the Track Record Period and up to the Latest Practicable Date, as advised by our PRC legal advisors, we had not been subject to any fines or other penalties due to non-compliance with applicable environment, product quality or technical regulations.

INTERNAL CONTROL

We have engaged an independent internal control consultant to review our internal control and risk management systems in order to improve the overall effectiveness of our internal control system. The scope of the consulting services includes, among others, corporate governance, financial reporting, information system.

Our internal control consultant performed the work and put forward recommendations in April 2019 based on the review of our internal control policies. We have implemented rectification and improvement measures, as the case may be, in response to these findings and recommendations. In July 2019, our internal control consultant has also completed follow-up reviews on our internal control system with regard to those actions taken by us. We did not receive any additional recommendations from the internal control consultant as of the Latest Practicable Date.

OVERVIEW

We have established a comprehensive set of risk management structure, policies, procedures and tools designed to tackle the risks arising out of serving technology and new economy companies, especially credit risks and liquidity risks. These risks made it difficult for traditional financial institutions to fully satisfy the funding needs of technology and new economy companies. We continuously reevaluate and improve our risk management structure, policies, procedures and tools to stay current with the developments in technology and new economy industries, and to continue to fuel the growth of China's technology and new economy companies while reducing our risk exposures.

Our risk management structure involves various teams within our organization, each responsible for a different aspect of risk management. We have adopted a set of risk management policies and procedures which guide our project assessment, post-lease management and non-performing asset disposal activities. We have also commissioned the development of a set of risk management tools comprising project due diligence report, project assessment report, leased asset report and principal credit rating model to aid our risk management activities and enable us to tackle the following risks arising out of serving technology and new economy companies.

- *Business model and strategy.* Technology and new economy companies tend to have short operating histories on average. Therefore, it can be difficult to accurately predict the sustainability and prospects of their business models, or to evaluate the feasibility or reasonableness of their expansion strategies. Having worked with more than 750 lessees on over 1,200 lease projects during our nearly seven years of operations, we have been exposed to a variety of business models and strategies, and had the opportunities to witness the outcome of these models and strategies through our project due diligence and ongoing post-lease monitoring activities, which offered us insights that facilitate our assessment of the feasibility and reasonableness of potential customers' business model and expansion strategies.

- *Financial performance.* According to the F&S Report, most technology and new economy companies in China have limited earnings before successful commercialization of their products and services, and are often temporarily unable to achieve satisfactory financial performance. Leveraging our risk management tools, our specialized functional teams closely monitor and analyze quantitative and qualitative business and financial factors of technology and new economy companies and to better predict our customers' future financial performance.

- *Asset light structure.* A large number of technology and new economy companies tend to have an asset light structure which predominantly comprises intangible assets, such as patents, copyrights and other intellectual properties. Traditional financial institutions, with their risk management tools geared primarily for asset heavy businesses, often find it difficult to valuate these light assets as they lack thecapabilities and expertise to evaluate whether these companies will be able to convert such assets into core competitive advantages and financial success. Under our risk management structure, we have personnel with years of industry and technical experience in the various technology and new economy sectors. Aided by our risk management tools, our personnel are capable of appraising the competitiveness of these light assets by analyzing quantitative and qualitative business and financial factors of our potential customers' intangible assets.

- *Specialized leased assets.* The leased assets in finance leases with technology and new economy companies tend to be highly specialized. Traditional financial institutions often find it challenging to dispose of leased assets in the event of default due to the specialized nature of the leased assets and the narrow disposal channel. Due to our focus on serving technology and new economy companies and our industry specialty, we have a network of potential buyers who are readily available for our specialized leased assets, which makes it easier for us to dispose of leased assets at more reasonable prices based on their remaining useful lives, reducing our losses in case of default.

To better tackle the abovementioned risks arising out of serving technology and new economy companies, we have adopted various credit risk assessment tools taking into both quantitative and qualitative factors. Our quantitative factors primarily include (1) customer size, (2) growth rate of business scale, operating revenues and profits, (3) profitability, and (4) liquidity, among others.

Our qualitative factors primarily covers (1) government policies, (2) market size and potentials, (3) competitiveness, (4) management capabilities, (5) equity financing histories, and (6) corporate credit records. We begin our qualitative assessment with the macroeconomic and industry environment in which our customers are positioned in order to assess the customers' growth potentials. This includes a survey of relevant laws, regulations, governmental policies, and the market development stage. Second, we assess the following aspects of the customers' businesses:

- *Management capabilities.* We examine whether a customer has implemented comprehensive corporate management policies covering areas such as budgeting, sales, development and compliance.

- *Competitiveness.* We examine the competitiveness of a customer by assessing (1) the competencies of its controlling shareholders and core management team, (2) core technologies, (3) brand image and fame, (4) stability of market demand, (5) replaceability of its products and services, and (6) bargaining power with its suppliers and customers.

- *Equity financing capabilities.* We examine the credentials of institutional investors which have made equity investments in the customer, as well as the number of rounds and size of such investments.

Our risk management goal is to control the amount of risks to which we are exposed at a reasonable level while fueling the growth of China's technology and new economy companies. To that end, we have been and will continue to be dedicated to the following risk management strategies.

- *Focus on customers with growth potentials.* We are dedicated to serving technology and new economy companies with strong growth potentials. We closely monitor their growth which we believe is the key to maintaining the quality of our finance lease receivables.

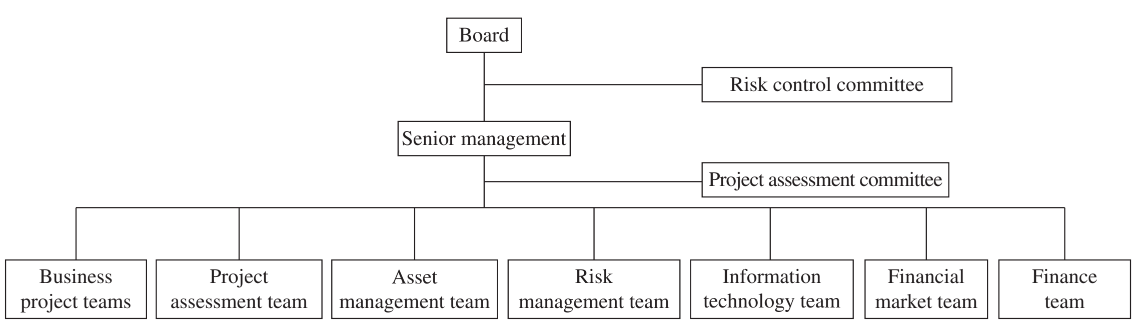
- *Optimize risk management tools.* We have developed a set of risk management tools comprising various risk reports and principal credit rating model. See "—Credit Risk Management—Due Diligence Using Risk Management Tools—Principal credit rating model." With each new customer, we continuously enrich our database underlying our risk management tools to enable us to make more well-informed decisions.

- *Control and streamline our decision-making processes.* Our project assessment and approval processes incorporate the opinions of various teams each focusing on a particular aspect of the finance lease project. The project assessment committee, whose members come from various functional teams and senior management team, examines and discusses risks involved in lease projects in open sessions, and approves lease projects through voting.

We believe our risk management policies, procedures and tools contributed to the low NPA ratio of 0.7%, 1.5%, 1.3%, and 1.4% as of December 31, 2016, 2017, and 2018 and June 30, 2019, respectively.

RISK MANAGEMENT STRUCTURE

Our risk management structure contains various entities with different degrees of authorities and areas of expertise. The following chart sets forth the entities involved in managing the various risks to which we are exposed during our business operations.



Board

The Board is our highest decision-making body on risk management matters, and is ultimately responsible for the effectiveness of our overall risk management policies and procedures. The main responsibilities of the Board include (1) reviewing and approving major risk management policies and procedures, (2) assessing our overall risk exposure, and (3) supervising senior management members who are charged with risk management responsibilities. For details on the Board's role in liquidity risk management, see "—Liquidity Risk Management—Liquidity Risk Management Structure."

Risk Control Committee

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

Senior Management

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

- 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;
- assessing and monitoring our risk sensitivity, appetite and tolerance, and understanding our risk bottleneck during our business operations;
- supervising the implementation and execution of risk management policies, procedures and tools;
- identifying deficiencies in our risk management and reporting them to the Board;
- investigating major risk events and reporting the results of such investigations to the Board;
- evaluating the performance of employees involved in risk management; and
- supervising and monitoring the implementation and operation of our information technology systems in support of our risk management activities.

We believe our senior management as a group, under the leadership of our general manager Mr. Rongfeng He, is highly experienced in assessing the various risks of technology and new economy companies. See "Directors, Supervisors and Senior Management—Directors" for a detailed description of Mr. Rongfeng He's professional experiences.

For details on senior management's role in liquidity risk management, see "—Liquidity Risk Management—Liquidity Risk Management Structure."

Project Assessment Committee

Our project assessment committee comprises employees from various risk management functional teams and the senior management team with outstanding technical and professional capabilities and industry experience with respect to risk management in the financial leasing industry. Our project assessment committee comprises a total of 25 members, six of which are principal committee members and the others regular committee members. The project assessment committee has the following risk management responsibilities:

- reviewing the reports prepared by other teams, namely lease business due diligence report, risk assessment report, leased asset report and principal credit rating report;
- opining on the reports and information contained therein during open sessions;
- voting to approve or deny lease projects based on review of available reports and information;
- inquiring responsible personnel from functional teams regarding lease projects; and
- requesting additional due diligence on lease projects.

Our project assessment committee consists of six principal members who come from a variety of background and hold diverse positions with our Company. Their collective diverse experience safeguards the appropriateness, professionalism and effectiveness of our credit risks assessments of potential finance lease projects.

The six principal members include (1) Mr. Jiyan Dou, (2) Mr. Wen Huang, (3) Mr. Chao Tong, (4) Mr. Jingji Liang, (5) Ms. Liping Wang, and (6) Mr. Lianjie Ma. All of them have obtained bachelor's degree or above. Ms. Liping Wang, has serving as our head of finance team since she joined our Company in 2013 and she has over 15 years of experience in accounting and finance. Prior joining our Company, Ms. Liping Wang served as the deputy manager of the finance team of another company principally engaged in property development, where she was responsible for managing credit risks of different property development projects. Mr. Lianjie Ma has been serving as the head of project assessment team since he joined our Company in 2014, and he has over 10 years of experience in credit risk assessment. Prior to joining our Company, Mr. Ma served as the department head for another company principally engaged in the provision of financing guarantees, where he gained his experience in credit risk assessment. See "Directors, Supervisors and Senior Management—Directors" for a detailed description of the professional experiences of Mr. Jiyan Dou, Mr. Wen Huang, Mr. Chao Tong and Mr. Jingji Liang.

Risk Management Functional Teams

Business project teams

We have established separate business project teams to serve customers from various industries, including big data, eco-solutions, life sciences & healthcare, intelligent manufacturing, and internet-based products & services. These business project teams are primarily responsible for seeking new customers and expanding business volumes with existing ones. In terms of risk management, our business project teams are responsible for conducting due diligence investigations on customer backgrounds, the qualitative and quantitative performance of our customers' business operations, and the relationships between the assets our customers intend to lease and their business operations. At the conclusion of such due diligence investigations, our business project teams are responsible for identifying our potential risk exposures in relation to the lease project, and prepare a project due diligence report for review by our senior management and project assessment committee. They also have an ongoing responsibility to monitor, collect and update customer information to ensure that our risk management decisions and lease receivable monitoring activities are based on current and accurate information. See "—Credit Risk Management—Post-lease Management—Customer business operations monitoring."

Project assessment team

Project assessment team participates in all stages throughout the risk assessment of lease projects. It is primarily responsible for:

- making the initial assessment of lease projects during project initiations;
- participating in on-site project due diligence;
- reviewing and verifying project due diligence reports prepared by business project teams;
- drafting project risk assessment report;
- organizing project assessment committee meetings and facilitating committee voting procedures; and
- supervising and reviewing business project teams' post-lease customer monitoring activities.

Risk management team

The risk management team is primarily responsible for establishing our internal control system and risk management system. Its main responsibilities include:

- executing resolutions of the Risk Management Committee;
- drafting and reviewing policies and procedures regarding risk management, and supervising their implementations;
- introducing, developing and improving risk measurement algorithms, models and tools to improve our risk identification capabilities; and
- establishing our internal control and audit systems.

Asset management team

As the primary team for managing leased assets, our asset management team is primarily responsible for:

- preparing reports on leased assets for review and approval by the project assessment committee;
- providing comprehensive services related to legal risks;
- supervising lease agreement executions, fund release, project settlement and termination processes;
- managing leased assets and collaterals;
- managing past-due lease projects, preparing and executing lease payment collection and leased asset disposal action plans; and
- preserving the value of finance lease receivables by participating in litigations and other legal proceedings.

Information technology team

Our information technology team is primarily responsible for establishing and maintaining a comprehensive information technology system, consisting of lease business operation system and finance system. In terms of risk management, our information technology team is responsible for developing and maintaining the proper functioning of our various risk management tools, including our principal credit rating model, and lease receivable rating model.

Financial market team

Our financial market team is primarily responsible for analyzing the macro-economic and fiscal policy changes, and managing our liquidity position by designing our overall financing plans and maintaining close working relationships with major funding partners such as commercial banks.

Finance team

Our finance team is primarily responsible for establishing policies and procedures regarding budgeting, financial reporting, and liquidity management. In terms of risk management, our finance team is responsible for accurately recording the amount of lease receivables, value of leased assets, customer repayments and outstanding balance on each lease. Our finance team also plays a critical role in monitoring our liquidity status, and alerting management when key liquidity alerts are triggered.

CREDIT RISK MANAGEMENT

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 could materialize and negatively impact our revenues, cash flow, and lease receivable asset book value. To manage and control the amount of credit risks to which we are exposed, we have established specialized and streamlined credit risk management policies and procedures.

Project Initiation and Selection of Industries and Customers

Our business project teams research and monitor the technology and new economy industries they specialize in, and study the potential financing needs of our existing and potential customers. We strategically serve selected technology and new economy industries that fit the government's economic development plans. Prior to serving customers from an industry which we had not previously served, we evaluate the industry's prospects leveraging our past business and industry experiences. We carefully assess the size, capital needs, planned use of funds, and potential opportunities for finance lease solutions of the new industry when deciding whether to begin serving customers operating in that industry. When establishing business relationships with new customers, we primarily focus on their growth potentials in light of the industry in which they operate, and set criteria in terms of industry performance, capital structure, product and service offerings, and historical financial information. We also take into account relevant industry regulatory regime, industry performance, and general macroeconomic factors. We also strive to lower our exposures to credit risks with regards to new customers by carefully selecting leased assets and designing finance lease solutions with an eye towards ensuring the quality of finance lease receivables and reducing the possibility of impairments or losses.

Due Diligence Using Risk Management Tools

To ensure that the implementation of our industry and customer selection strategy is based on proper discussion of reliable information, we have adopted risk management tools including our principal credit rating model, project due diligence report, project assessment report, and leased asset report.

Principal credit rating model

We believe the credit ratings of technology and new economy companies largely depends on its growth potentials. Therefore, our principal credit rating model focuses on assessing factors related to our customers' business prospects in addition to information on their current operations. We have formulated three different rating models based on the types of potential customers, which are classified as follows: (1) general service-oriented company model designed for service oriented companies, (2) general manufacturing company model designed for manufacturing companies, and (3) new enterprise model designed for companies with less than two years of operational history.

The assessment result of each individual customer is based on a score that takes into account both quantitative and qualitative factors. In particular, our quantitative factors include size, growth, business operation, profitability, debt repayment, and liquidity; our qualitative factors cover government policy, market size and potential, competitiveness, management capabilities, equity financing, and corporate reputation. These factors, together with the weights assigned to them, generate a final score for a potential customer, which enables the business project teams and those in charge of project assessment and approval to make decisions based on quantifiable, visible and verifiable information.

Our principal credit rating model has the following features which we believe lower the credit risks to which we are exposed.

- *Data driven.* We created our assessment models based on real historical data from approximately 500 lessees, who in aggregate had entered into more than 900 lease agreements with us.

- *Decision-making facilitation.* Our principal credit rating model is designed to facilitate the smooth operation of our finance lease business. By subjecting potential customers to the rating model, we generate customer profiles which help our business project teams and those in charge of project assessment and approval reach well-informed decisions.

- *Continuously improving.* With the assessment of each additional customer, our principal credit rating model gains access to more data and information, which helps improve the accuracy and efficiency of our principal credit rating model. Our principal credit rating model aims to lower human intervention in the assessment of each customer. Our employees play a greater role in the design of factors that go into our rating model than in the determination of the outcome of individual assessments.

We believe the principal credit rating model has yielded its expected results. In general, our customers scored higher in factors related to government policies and corporate reputation, while lacking in performance in terms of profitability, debt repayment and liquidity. We believe this pattern is consistent with the performance of technology and new economy companies, which we primarily serve. This pattern also reflects our strategy to focus on our customers' future growth instead of simply focusing on their current financial capabilities.

Project due diligence report

Our business project teams directly interact with potential customers and are responsible for conducting due diligence investigations and collecting factual information on the customers' background, the qualitative and quantitative performance of our customers' business operations, and the relationship between the assets our customers intend to lease and their business operations. At the conclusion of such due diligence investigations, our business project teams are responsible for preparing a project due diligence report, primarily containing the following information.

- *General lease information.* The report sets forth whether the lease will adopt direct lease model or sale-and-leaseback model. It also states the principal amount of the lease, anticipated interest rate, value of the leased assets, and credit enhancement measures.

- *Corporate information.* The report sets forth basic corporate information, including that of the customers' controlling shareholders and affiliates, and information in SAIC and tax filings. It also describes the detailed shareholding structure and financing history.

- *Milestones.* The report describes the customer's major business milestones, including the introduction of major new products or services, or the establishment of new offices or markets.

- *Management structure.* The report sets forth details on the corporate management structure and the background of each senior management member and key employee.

- *Credit history*. The report sets forth the customer's credit history, as well as its other major debt obligations and major contractual commitments.

- *Business operations*. The report describes the business model and revenue model, and provides basic operating data and information regarding its business processes, products and services. It analyzes the transaction volume with major business partners. It also contains details on the customer's core technologies or competencies necessary for its business operations.

- *Competitive landscape.* The report describes the industry in which our customer operates, and analyzes the customer's competitiveness within the industry.

- *Financial information*. The report sets forth the customer's financial statements and an analysis of major changes of key items and financial ratios within those statements.

- *Use of funds*. The report sets forth the customer's intended use of the funds obtained from us.

- *Risk assessment and operational recommendations*. Based on the information above, the report sets forth the key risk exposures and potential measures to handle such exposures. The report also includes an overall conclusion reflecting the opinion of the business project team on whether we should enter into finance lease agreements with the customer.

Project assessment report

Based on the information collected by our business project teams and included in the project due diligence report, our project assessment team conducts further risk assessments, and prepares the project assessment report. The report includes review and verification of certain aspects of the due diligence report. In particular, the report focuses on the following aspects.

- *General lease information.* The report sets forth the business terms of the contemplated lease agreements, including lease model, interest rate, leased assets, credit enhancements, etc.

- *Overall assessment*. The report includes an overall assessment of several numerical metrics of the contemplated lease and compares them against our threshold requirements.

- *Information verification*. The report reviews, verifies and analyzes the information contained in each section of the due diligence report, such as business operations, industry and competitive position, and financial information.

- *Conclusion*. The report includes the final assessment result of the project assessment team based on review of the due diligence report, independent verification, and assessment of risk exposures and growth opportunities of the customer.

Leased asset report

In assessing leased assets, our asset management team primarily assesses the genuine existence of the leased assets, the reasonableness of their prices, and the clarity of their legal ownerships. In addition, the asset management team also determines whether the leased assets will maintain its value and whether they can be effectively controlled and efficiently disposed of.

- *Leased asset selection*. For direct leases, we primarily focus on (1) the purchase price and other terms related to the asset acquisition with the vendor, (2) the relatedness between the assets and the lessees' business operations, and (3) the reliability of the vendor in terms of product quality. For sale-and-leaseback transactions, we primarily focus on the economic functions and legal status of the leased assets.

- *Valuation.* We independently research market prices of the leased assets. We also closely monitor the payment and delivery processes to ensure that the actual price paid is reasonable in relation to the market price of the equipment, and that the sales transaction of the leased assets actually took place.

- *Content of the leased asset report*. The report sets forth (1) the identity, quantity, primary usage, book value and location of the leased assets under a particular lease agreement, (2) the key findings of our asset management team's due diligence inspections regarding the asset's legal ownership, current operating status, legal compliance status, impairment risks, and risk of damages and destructions, and (3) asset management team's overall rating on the leased assets based on the general information of the leased assets and its due diligence inspections.

Specialized and Open Project Assessment and Approval Procedures

After discovering a new lease project, our business project teams conduct due diligence investigations on the customer and compile the due diligence report. Our project assessment team then reviews and verifies the information contained in the due diligence report and reaches its own conclusions on risk exposures, which are included in the project assessment report compiled by the project assessment team. Simultaneously, our asset management team collects information related to the leased assets, and compiles the leased asset report. Aided by our principal credit rating model, our project assessment committee reviews the information and conclusions contained in these three reports and vote on the lease projects in open sessions. Once approved by the project assessment committees, we initiate the lease agreement signing and fund release processes unless senior management vetoes the project.

To properly and sufficiently assess the potential risk exposures with regards to each lease project, we have adopted a three-vote decision-making mechanism in selecting customers, initiating projects, and conducting due diligence investigations, which enables us to take advantage of the industry experience of more specialized employees, reduce the risk of mistakes, and effectively ensure the openness and fairness of our decisions. The three-vote decision-making mechanism in principle requires business decisions regarding project initiations and due diligence investigations activities be made by at least three designated senior employees from relevant teams. We take into account the relevant employees' expertise, affiliated team and past experience in making the designations. We believe this mechanism helps reduce the arbitrariness and likelihood of mistakes in our various decision-making processes while ensuring efficiency.

Specialization is another key feature of our project assessment procedures. Our risk assessment personnel in our project assessment team have rich experience and knowledge in assessing the risks of projects from the five technology and new economy industries we serve. We encourage those personnel to supplement their industry knowledge with research on recent developments and emergence of new risks. Each of our managers is responsible for assessing projects from the industry in which they specialize. In addition, our project assessment committee members also possess specialized experience and expertise in their respective functional areas, such as business finance and compliance. We believe the past specialized experience and continuing industry research by our risk assessment personnel and project assessment committee members contribute to more accurate identifications of potential risks and more objective overall assessment of our customers' growth potentials.

Our project assessment committee assigns five committee members to assess each lease project. Each of the five members has one vote, and must either vote in favor or against a particular project. Project assessment committee members include principal committee members and regular committee members. Each project is assessed by at least one principal committee member. When the principal committee members vote in favor of a project, three total votes in favor are required to approve the project, otherwise four total votes in favor are required. In addition, our general manager has the right to veto lease projects approved by the project assessment committee, but may not force the approval of any lease projects.

Committee members generally discuss project information and cast votes in open sessions where all of our employees may attend. We believe the openness of the committee meetings effectively supervises the assessment and voting procedures and reduces the likelihood of fraudulent behaviors. In addition, by observing the discussions and assessments of lease projects, our employees accumulate risk assessment experience which they can apply in their own risk related work assignments. Such open sessions also promote our employees' understanding of our risk management goals and help ensure consistent applications of our risk assessment standards throughout our entire organization.

Signing and Payment

Upon obtaining approval from our project assessment committee, our business project teams finalize the finance lease agreement with the lessees based on our internal approved conditions. The finalized finance lease agreements signed and chopped by counterparties must be respectively reviewed and approved by each of our project assessment manager, legal manager, head of asset management team, deputy general manager in charge of asset management before execution in order to ensure that the lease terms are in compliance with our policies and procedures. After the execution of finance lease agreements, our business project teams will liaise with the customers to complete the leased asset registration processes if required, and then initiate fund release procedures, which require to be respectively approved by our head of business project teams, project assessment manager, head of asset management team, head of finance team, and general manager or chairman of the board, respectively.

Post-lease Management

We believe continued monitoring of lease projects after the commencements of lease terms is critical in timely detecting newly developed credit risks and reducing delinquency related losses. To that end, we have established various management policies and procedures which provide clear guidelines over our monitoring activities during lease terms, including policies and procedures over (1) leased asset management, (2) customer business operation monitoring, (3) lease receivable classifications, and (4) disposal of non-performing assets.

Leased asset management

We have established a comprehensive set of leased assets management policies and procedures to lower the risk exposure in relations to the leased assets, covering action items from our initial contact with customers to the completion of the lease agreements. In terms of post-lease management, our policies contain the following stages.

- *Marking*. We adopt various measures to publicly demonstrate our legal relationships with the leased assets. These measures primarily include leased assets ownership registration with relevant business administrative authorities and placing visible marks.

- *Insurance*. We typically require our customers to purchase and maintain sufficient insurance policies to enhance protection of leased assets. The insurance policies must be issued by reputable providers, and must designate us as the sole or first priority beneficiary. The amount of coverage should match or exceed the value of the leased assets, and the insurance policies must be valid throughout the lease terms.

- *Inspection*. Our business project team members are in charge of inspecting the operating statuses of the leased assets. They review the maintenance, repair and upgrade records of the leased assets and inspect the leased assets in person to ensure proper deployment and operations. In addition to random unscheduled inspections, we arrange inspections and valuations when we become aware of material and adverse situations that may cause significant impairments to our customers' operations or the values of the leased assets.

- *Settlement and disposal*. At the end of lease terms, we deregister our ownership of leased assets with the relevant authorities and undertake other procedures to wind down the lease agreements with our customers. When lease agreements provide for the disposal of leased assets at the end of the lease term, we timely dispose of the leased assets.

Customer business operations monitoring

We closely monitor the business operations of our customers during the lease terms in an effort to early-detect credit risk indicators which might trigger potential delinquencies, enabling us to prepare for subsequent delinquency related strategies and exit strategies. Our monitoring activities include the following.

- *Credit and litigation check.* We monitor changes in the credit rating of our customers and their guarantors to detect any material and adverse changes to their credit ratings. We also check whether our customers or their guarantors are facing material litigations or other types of legal proceedings which could adversely impact their business operations.

- *Indebtedness.* We monitor the overall level of indebtedness of our customers, and trigger risk alerts when we detect sudden significant increases in indebtedness.

- *Financing.* We follow up with our customers after they accept funding from new strategic investors and obtain details of the financing arrangements.

- *Project management.* Certain customers use our funds to construct factories or undertake infrastructure projects. We inspect the project construction processes and the subsequent commercialization of the projects, and trigger risk alerts when we discover significant project delays, or signals of business failures such as low product quality and unsatisfactory product sales.

- *Insurance.* We monitor whether our customers maintain valid insurance policies to cover the various aspects of their business operations. Insurance periods cover the entire lease terms.

- *License management.* We inspect whether our customers have in place all licenses and permits necessary to stay in operations, and follow up with our customers after government inspections.

If during the abovementioned inspections we detect signals that trigger risk alerts, our business project team prepares post-lease management reports and propose action plans for management's approval.

Lease receivable classification

We closely monitor the quality of our lease receivables. In 2013, we introduced a five-level standard, which classifies finance lease receivables into five categories, namely (1) normal, (2) special mention, (3) sub-standard, (4) doubtful, and (5) loss.

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

2. *Special mention*. The lessee is able to perform and has been performing its obligations under the lease agreement, but there are adverse factors which may negatively impact our ability to recover the full amount of the lease receivable. Lease payments related to finance lease receivables under this classification are typically overdue for over 30 days but not more than 90 days.

3. *Sub-standard*.

    - The lessee has demonstrated clear difficulties in making timely lease payments, and is not able to obtain sufficient funds to pay through its normal course of business; or

- Lease receivables face impairment risks primarily due to adverse changes in the fair value of the leased assets or due to adverse uncertain macro-economic reasons, or disposal of leased assets could lead to losses.

  Lease payments related to finance lease receivables under this classification are typically overdue for over 90 days but not more than 180 days.

4. *Doubtful*.

   - The lessee is not able to make full and timely periodic lease payments, leading to significant changes in the value of the lease receivables; or

   - Macro-economic factors have led to material impairment of lease receivables, or the disposal of leased assets would lead to significant losses.

   Lease payments related to finance lease receivables under this classification are typically overdue for over 180 days.

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

When determining the classification for a particular lease receivable, we primarily consider the following three factors in connection with our customers.

- *Special events*. We evaluate the special events that may impact our customers' ability to make periodic lease payments. Such events include, but are not limited to, financial losses, mergers, acquisitions and other major reorganizations, major debt defaults, impairments in asset value, major adverse litigations, and material changes in control or scope of business.

- *Intent to pay.* We evaluate our customers' intent to pay by determining whether a particular customer has ever failed to pay debt for reasons other than lack of funds, or attempted to defraud other financial institutions.

- *Customer status.* We check relevant regulatory filings to determine whether our customers are under business suspension or undergoing bankruptcy procedures.

We downgrade the classification of finance lease receivables from normal to special mention when adverse changes have emerged that may negatively affect our collection of lease payments. Such changes typically include: (1) lessee is late in making scheduled payments for more than 30 days, (2) lessee experiences significant fluctuations in its business operations or financial difficulties, and (3) our collection efforts do not yield obvious results.

We recognize finance lease receivables as non-performing assets when (1) lessees are not able to make lease payments in full, (2) we face significant difficulties in collections, or (3) disposals of related leased assets would lead to significant losses. In these situations, lessees

(1) are generally late in their payments for an extended period of time, (2) become unwilling to pay and non-cooperative to our collection efforts, (3) experience significant financial difficulties and may undergo bankruptcy, and (4) cannot offer sufficient collaterals or leased assets to cover the outstanding lease receivable balance.

We write off finance lease receivables when we fail to recover all or a substantial part of the finance lease receivables after exhausting all legal options. Situations typically include (1) lessee and guarantors undergo bankruptcy or business termination, (2) the court finds it impossible to continue to collect from the lessee, and (3) no other means exist to recover from the lessees. During the Track Record Period, we did not write off any finance lease receivables.

Our classification criteria of finance lease receivables are in line with the applicable regulations promulgated by the CBIRC and the industry practice. The following table sets forth a breakdown of our finance lease receivable balance before deducting allowance for impairment losses under our lease receivable classifications.

	As of December 31,						As of June 30,	
	2016		2017		2018		2019	
	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage
	(RMB in thousands, except for percentages)							
Normal	3,948,456	94.8	4,275,482	95.0	5,089,037	92.8	5,409,764	93.5
Special mention	188,547	4.5	158,162	3.5	324,638	5.9	294,353	5.1
Sub-standard	881	0.0	–	–	–	–	14,670	0.3
Doubtful	27,699	0.7	69,314	1.5	71,969	1.3	66,008	1.1
Loss	–	–	–	–	–	–	–	–
Total	4,165,583	100.0	4,502,958	100.0	5,485,644	100.0	5,784,795	100.0

Project Completion and Disposal of non-performing assets

At the end of the lease term, we wind down the lease agreements and transfer title of the leased assets to our customers. If our customers were in default, then our asset management team will handle the related legal proceedings, leased asset disposals, or other activities to recover our the finance lease receivables.

During the Track Record Period, we disposed of three finance lease agreements at gains to two purchasers, both of whom were Independent Third Parties of us. They are not finance lease companies or other types of financial institutions and operated businesses in technology and energy industries, which were the same as those of original lessees. One of the purchasers is a subsidiary of a privately-owned chemical company headquartered in Henan which is principally engaged in chemical energy products operation and development. The other purchaser is a privately-owned construction company headquartered in Beijing, which is principally engaged in the provision of new energy solutions for construction projects.

Leased assets disposal

Finance lease is a type of financing that typically centers on equipment or other types of non-financial assets in the form of leased assets. To ensure the proper assessment and treatment of leased assets, especially those involved in lease receivables under the sub-standard, doubtful and loss categories according to our lease receivable classification, we established our asset management team since our inception. Our asset management team has engaged the service of professionals in both asset evaluation and legal risk analysis. It participates in the due diligence investigation of lease projects, specializing in the assessment of the book values, market values, coverage ratios, and lessees' use of leased assets. Throughout the lease term, our asset management team continuously monitors the statuses of the leased assets. In case of non-performing assets, namely leases that fall into sub-standard, doubtful and loss categories, our asset management team is responsible for designing collection and leased asset disposal strategies. Due to its involvement throughout the lifecycle of each lease project, our asset management team is capable of early detecting risk alerts and promptly initiating leased asset disposal activities, including initiating legal actions, attaching leased assets, and selling leased assets on the market. We believe that prompt actions after customers default increase our chance of gaining control over leased assets, which helps preserve our priority in those leased assets and reduces the likelihood of damages and losses.

Having served more than 750 lessees, we believe we have a network of readily available potential buyers for our specialized leased assets that other financial institutions might find difficult to dispose of due to their specialized nature. Our focus on serving technology and new economy companies enables us to establish business relationships with potential buyers of leased assets involved in non-performing assets, which significantly increases our ability to lower credit losses in case of default.

During the Track Record Period, we disposed of leased assets of four of our finance lease agreements and made adequate provisions reflecting in our accounts prior to disposal, and hence did not recognize any gains or losses in relation to such disposal of leased assets. The carrying amount of finance lease receivables of these four finance lease agreements prior to lease assets disposal was RMB8.8 million. We managed to recover RMB4.5 million from proceeds of the disposals. As of June 30, 2019, two of the agreements had been fully recovered and completed, and the aggregate outstanding carrying amount of the remaining two finance lease receivables was RMB2.6 million.

LIQUIDITY RISK MANAGEMENT

Liquidity risks refer 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. To prevent such risks and safeguard the sustainable growth of our business, we have implemented a comprehensive set of policies and procedures designed to better manage our liquidity related activities.

Liquidity Risk Management Structure

Our Board, senior management, financial market team and finance team share the responsibilities under our liquidity management structure.

Our Board reviews and approves resolutions related to funding of our business operations, supervises our management and control measures over liquidity risks, monitors liquidity risk exposure levels, and handles significant changes therein. Our senior management supervises the execution of our liquidity risk management policies and procedures. In particular, our senior management (1) supervises the execution of our liquidity risk management policies and procedures, (2) establishes liquidity risk management governance structure and provides necessary resources, (3) establishes information systems to support the identification, calculation, monitoring and control of liquidity risk alerts and indicators, and (4) assesses the overall liquidity risk level and significant changes therein.

On the execution level, our financial market team is primarily responsible for securing sufficient funding for our business operations and expansions at reasonable costs, and is directly responsible for managing our liquidity risks. In particular, our financial market team (1) drafts and proposes liquidity risk management policies and procedures, such as liquidity risk alert indicators, inspection procedures, and risk reports for senior management's approval, (2) identifies and quantifies liquidity risks, monitors and controls maturities of large-sized debt obligations, performs liquidity risk sensitivity analysis, and proposes emergency handling measures, (3) identifies liquidity risks embedded in new finance lease features and functionalities, and (4) reports our liquidity status to senior management and the Board. Our finance team is primarily responsible for offering underlying data and information regarding our liquidity status.

Management of Liquidity Mismatch

We have put in place policies on monitoring our liquidity positions to keep our liquidity mismatch between our cash inflow and outflow under a reasonable level. We create annual lease project initiation and fund release plans and annual borrowing plans. We also create rolling three-month funding and liquidity plans, and monitors our various liquidity risk indicators on a monthly basis or more frequently depending on the risk level. Based on the implementation results of our annual and three-month rolling plans, we adjust our activities in raising and using funds to keep mismatch under control and ensure sufficient liquidity for our business operations and expansions.

We believe our access to the following funding sources also safeguard our capabilities in repaying our debts and running our business: (1) our bank deposit balance, (2) monthly lease payments we receive from lessees, (3) unutilized banking facilities, (4) potential bond issuance, and (5) entrusted loans from the ZGC Group. As of June 30, 2019, we had obtained over RMB5.0 billion banking facilities, of which over RMB3.0 billion has not been utilized.

We regularly monitor our liquidity requirements to ensure we maintain sufficient cash reserve to meet our liquidity requirements in the short and long term. The following table sets forth the remaining contractual maturities as of the dates indicated of our financial assets and financial liabilities based on contractual undiscounted cash flows and the earliest date we may be required to pay.

	Indefinite/ overdue/on demand	Within one month	One to three months	Three months to one year	One to five years	Over five years	Total
	(RMB in thousands)						
December 31, 2016							
Total financial assets	413,621	145,501	497,126	1,660,117	2,133,003	–	4,849,368
Total financial liabilities	1,300	95,513	256,354	1,770,077	1,857,123	105,505	4,085,872
Net exposure	412,321	49,988	240,772	(109,960)	275,880	(105,505)	763,496
December 31, 2017							
Total financial assets	479,660	157,448	568,133	1,767,338	2,259,904	219	5,232,702
Total financial liabilities	19,371	23,373	221,159	1,897,992	1,583,757	–	3,745,652
Net exposure	460,289	134,075	346,974	(130,654)	676,147	219	1,487,050
December 31, 2018							
Total financial assets	561,881	180,999	603,377	2,159,618	2,826,944	–	6,332,819
Total financial liabilities	26,353	243,508	207,223	2,817,193	1,313,308	3,347	4,610,932
Net exposure	535,528	(62,509)	396,154	(657,575)	1,513,636	(3,347)	1,721,887
June 30, 2019							
Total financial assets	688,697	228,614	650,333	2,317,090	2,775,178	–	6,659,912
Total financial liabilities	39,760	377,656	675,034	2,024,487	1,641,739	–	4,758,676
Net exposure	648,937	(149,042)	(24,701)	292,603	1,133,439	–	1,901,236

During certain years or periods of the Track Record Period, we experienced some instances of negative net exposures for certain contractual maturities durations. If we consider cash and cash equivalents during those years or periods which could be used to repay financial liabilities that came due, then the only negative net exposure that could have adversely impacted us was related to contractual maturities durations of three months to one year as of December 31, 2018. The reason for such exposure was primarily due to increase in borrowings in 2018. As of June 30, 2019, we no longer face negative net exposures for contractual maturities of any duration. Throughout the Track Record Period, we believe the rolling nature of the maturity dates of our financial assets and liabilities resulted in our overall healthy liquidity position as our business grew.

For more details, see note 24 to the Accountants' Report included in Appendix I to this prospectus.

Liquidity Risk Indicators

To quantify our liquidity risks and provide meaningful measurements to monitor liquidity risks, we have adopted the following indicators, each addressing a particular aspect of liquidity risks.

Short-term liquidity indicators

Short-term liquidity indicators include short-term liquidity ratio, coverage ratio and 90-day liquidity shortage ratio.

- Short-term liquidity ratio is calculated as our cash and assets that can be liquidated within one month divided by our liabilities that are due within one month.

- Coverage ratio is calculated as the total amount of cash and assets that can be liquidated within one month and cash we can withdraw from our current credit facilities within one month divided by cash outflow within one month. By monitoring and controlling coverage ratio, we ensure that we maintain sufficient liquid assets that can be liquidated in the coming month to satisfy our impending payment obligations.

- 90-day liquidity shortage ratio is calculated as follows:

$$\frac{\text{(Assets that can be liquidated within 90 days - liabilities that are due within 90 days)}}{\text{Assets that can be liquidated within 90 days}}$$

Mid-to long-term liquidity indicators

Our mid-to long-term liquidity indicators include annual funding ratio, annual liquidity ratio and funding concentration ratio.

- Annual funding ratio is calculated as the annual available funding, including cash and assets that can be liquidated within one year and cash we can withdraw from our current credit facilities within one year divided by funding required in our business operations within one year. We typically require this ratio to be larger than 100%.

- Annual liquidity ratio is calculated as dividing our cash and assets that can be liquidated within one year divided by liabilities that are due within one year.

- Funding concentration ratio is calculated as the amount of funding from our largest funding partner divided our total debt obligations.

We have designed three levels of alerts which trigger three different levels of monitoring, control and reporting. The following table illustrates our alert levels with regard to each of the abovementioned indicators.

Indicator	**Level I**	**Level II**	**Level III**
		(%)	
Short-term liquidity ratio	50 (inclusive)-90 (exclusive)	25 (inclusive)-50 (exclusive)	lower than 25
Coverage ratio	50 (inclusive)-90 (exclusive)	25 (inclusive)-50 (exclusive)	lower than 25
90-day liquidity shortage ratio	-50 (inclusive)--10 (exclusive)	-100 (inclusive)--50 (exclusive)	lower than -100
Annual funding ratio	50 (inclusive)-90 (exclusive)	25 (inclusive)-50 (exclusive)	lower than 25
Annual liquidity ratio	50 (inclusive)-90 (exclusive)	25 (inclusive)-50 (exclusive)	lower than 25
Funding concentration ratio	25 (exclusive)-33 (inclusive)	33 (exclusive)-50 (inclusive)	higher than 50

Generally we monitor these indicators on a monthly basis. For indicators reaching Level II and Level III, however, the monitoring frequency becomes weekly and daily, respectively. The following table sets forth the abovementioned ratios as of the dates indicated.

	As of December 31,			As of June 30,
	2016	2017	2018	2019
		(%)		
Short-term liquidity ratio	143.2	1,223.6	303.8	145.4
Coverage ratio	129.6	404.9	164.7	139.8
90-day liquidity shortage ratio	47.5	75.4	51.3	36.4
Annual funding ratio	105.7	102.8	103.5	105.6
Annual liquidity ratio	139.8	145.5	112.2	112.4
Funding concentration ratio	22.6	21.8	30.0	28.8

Our short-term liquidity ratio as of December 31, 2017 was exceptionally high, which was primarily because the amount of repayments for our interest-bearing borrowings due within one month in 2017 was significantly low as compared to that as of other year- or period-end dates. Our coverage ratio as of December 31, 2017 was exceptionally high and the trend of our coverage ratio was generally in line with that of our short-term liquidity ratio as of the same dates. Our 90-day liquidity shortage ratio and annual liquidity ratio as of December 31, 2017 were relatively higher than those as of other year- or period-end dates, which were generally in line with the decrease in the balance of our borrowings as of December 31, 2017 as we repaid part of our outstanding asset-back securities during 2017.

Our annual funding ratio and funding concentration ratio remained relatively stable during the Track Record Period.

After the various risk indicators are triggered, depending on the level, we have in place various response plans which are executed by our senior management team, financial market team, and finance team.

- When risk indicators reach level I, senior management discusses and decides on adjustments to our entering into new finance lease agreements and our funding structure;

- When risk indicators reach level II, senior management discusses and decides on suspension of entering into new finance lease agreements;

- When risk indicators reach level III, senior management discusses and decides on whether to report the situations to the Board and explores the various options to obtain cash; and

- When risk indicators falls back to or below level I, financial market team summarizes the reason, nature, market changes, market forecasts and suggestions into written reports and presents the report to senior management.

OVERVIEW

As of the Latest Practicable Date, ZGC Group and ZGC Finance held 60% and 4% of the total issued Shares of our Company, respectively. ZGC Finance is a wholly owned subsidiary of ZGC Group, and ZGC Group is owned by ZGC Investment Center as to 55.4%. Immediately after the completion of the Global Offering, ZGC Group and ZGC Finance will hold, in aggregate, approximately 48% (assuming no exercise of the Over-allotment Option) or approximately 46.3% (assuming full exercise of the Over-allotment Option) of the total issued Shares. Accordingly, ZGC Investment Center, ZGC Group and ZGC Finance will continue to be our Controlling Shareholders upon Listing.

BACKGROUND OF CONTROLLING SHAREHOLDERS

ZGC Investment Center was established in November 2013 as a whole people-owned enterprise. The principal business of ZGC Investment Center is investment management and assets management.

ZGC Group was established in March 2010 as an unlisted state-owned enterprise supervised by the Administrative Committee of Zhongguancun Science Park with a registered capital of approximately RMB23,020 million as of the Latest Practicable Date. ZGC Group had over 100 subsidiaries as of the Latest Practicable Date, which carries out its business both domestically and globally. As a market-oriented entity to strategically provide resources to promote innovation, the principal business of ZGC Group comprises four major segments, namely, operation of science and technology park, industrial investment, technology and finance, and technology services. In respect of the technology and finance segment, ZGC Group carries out such business primarily in the forms of venture capital, technology guarantee, finance lease (through our Company) and small loans. Based on the audited report of ZGC Group prepared in accordance with PRC GAAP, the consolidated total assets and net assets of ZGC Group and its subsidiaries (including our Group) as of December 31, 2018 amounted to RMB132.2 billion and RMB38.8 billion, respectively. For the year ended December 31, 2018, the total revenue and net profit of ZGC Group and its subsidiaries (including our Group) were RMB13.9 billion and RMB12.9 billion, respectively. In addition, ZGC Group also achieved a long-term credit rating of AAA.

ZGC Finance, a wholly-owned subsidiary of ZGC Group, was established in February 2009 as the shareholding platform for the finance segment of ZGC Group. The principal business of ZGC Finance consists of assets and investment management and venture capital.

BUSINESS DELINEATION

We are the sole finance lease platform under ZGC Group and only we conduct equipment-based financing business which involved acquisition of assets and leasing back among ZGC Group. Our core business is to serve technology and new economy companies with efficient finance lease solutions and a variety of advisory services, including policy advisory services as well as management and business consulting ("Core Business"). Notwithstanding ZGC Group provides other forms of financing businesses such as venture capital investment, guarantee and small-sum loans (the "Excluded Finance Business"), such services are different in nature from our Core Business.

Venture capital is an equity financing tool, not debt financing, for small, early-stage, emerging companies that are viewed to have high growth potential and face high uncertainty; guarantee is a means of credit enhancement in connection with financing, hence not a means of financing in its nature.

As for small-sum loan business, we set out below the key differences between our finance lease services and the small-sum loan services of ZGC Group.

	Finance lease services of our Company	**Small-sum loan services of ZGC Group**
Business model	Finance lease generally involves acquisition of assets and leasing back	Small loan services generally provide loans without acquiring nor retaining ownership of the collateral involved
Customer base	Technology and new economy companies with a financing need to fund certain assets (mainly equipment, and devices)	Individuals or small and medium-sized enterprises engaged in manufacturing, real estate, and cultural industries, etc. without industry focus
Fee rate	Primarily between 5.2% to 11% per annum	Generally no more than four times of the benchmark interest rate released of People's Bank of China
Geographic limitation	No restriction	Beijing City
Limitation on the scale of financing amount	No restriction	The loan balance of a single customer shall not exceed 3% of the net capital of the small loan company and the loan size limit for single customer ranging from approximately RMB3.6 million to RMB21.0 million
Term	Primarily ranging from two to three years	Primarily ranging from one month to six months, and no more than one year
Security	Mainly secured by leased assets, lessees' deposits and leased assets repurchase arrangement, where applicable	Mainly secured by collateral, personal or corporate guarantee

In addition to our Core Business as offering finance lease solutions and ancillary advisory services, we hold minority interests in equity investment primarily as a limited partner through fund platforms managed by affiliates of ZGC Group. We do not control nor we are able to direct the operation and management of such fund platforms and going forward, we are not intending to have any active involvement in the operation and management of such fund platforms since making equity investment in technology and new economy companies is not and will not become our Core Business. The main objective of making such equity investment is to capture the growth opportunities in the markets that we value; and as those fund platforms are managed by affiliates of ZGC Group, therefore, our interests would be in line with the interests of ZGC Group. As a result, we believe that our investment in technology and new economy companies would not be likely to compete with the business of ZGC Group.

Both ZGC Group and our Company mainly serve technology and new economy companies and as a result, we do not exclude the possibility that there may be certain overlapping customers. However, we are unable to track the identities and the number of such overlapping customers with ZGC Group and their aggregate revenue contribution because each member of ZGC Group (including our Company) operates independently and does not have access to each other's customers list. In spite of this, considering the clear business delineation between ZGC Group and our Company as described above, ZGC Group and our Company are offering distinct and separate financing services to customers to cater different needs. To the best knowledge and belief of our Directors, the number and revenue contribution of such overlapping customers should not be material, and in particular, it is extremely unlikely that we have overlapping customers with the small-sum loan business of ZGC Group.

In addition, we independently source our customers through our own marketing team and sales channel and there is no reliance on ZGC Group in terms of business development. To the best knowledge and belief of our Directors, although ZGC Group may introduce new customers to us occasionally, the number and revenue contribution of such new customers should be minimal to our Company. For further details, see "—Operational Independence."

Accordingly, our Directors are of the view that there is clear delineation between the businesses of ZGC Group and our Core Business and thus the Excluded Finance Business are not in competition with our Core Business.

SYNERGY WITH ZGC GROUP

As the sole finance lease platform under ZGC Group, we believe we are able to capitalize on the support of ZGC Group and its subsidiaries, and enjoy synergistic effects of their businesses, which further strengthens our ability to satisfy our customers' financing needs and improve our own brand recognition and influence. We believe the synergistic effects are achieved through the following aspects:

(1) Business synergy. We have a collaborative relationship with ZGC Group. For example, we have provided finance lease services and advisory services to certain of the associates of ZGC Group to support their business developments. See "Connected Transactions—Non-exempt Continuing Connected Transactions—Financial Lease Framework Agreement" for more details.

(2) Brand synergy. Although we have an independent access to our customers, we, as a subsidiary of ZGC Group, can further expand our customer network by leveraging the well-established reputation of ZGC Group in the technology and new economy industry.

(3) Capital synergy. While we maintained our financial independence from ZGC Group, the credit services provided by ZGC Group serve as an important and prompt alternative source of financing to our Group.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors believe that we are capable of carrying out our business independently without reliance on our Controlling Shareholders (and their close associates) after the Listing.

Financial Independence

Our financial system and financial operations are independent from our Controlling Shareholders and their close associates. Our Group makes financial decisions according to our own business needs and our Group's financial operations are handled by our finance team, without sharing any financial management functions or resources with our Controlling Shareholders or their close associates.

As of June 30, 2019, we had aggregate outstanding borrowings of approximately RMB3,600 million, and the outstanding principal amount of our entrusted loans from ZGC Group and its close associates amounted to RMB1,600 million, representing 44.4% of our aggregate outstanding borrowings. See "Business—Funding Sources—Funding from our Controlling Shareholders and their subsidiaries" for details. In May 2019, we entered into an unsecured guarantee agreement with ZGC Group, pursuant to which ZGC Group agreed to provide us unsecured guarantee to secure our performance under our Phase 4 ABS with a maximum guaranteed amount of RMB250 million including principal and accrued interests. As early repayment of the entrusted loans and premature release of the guarantee from ZGC Group are not commercially practicable and favorable to us, our Company has no plan to repay the outstanding entrusted loans or release the guarantee before the Listing.

Notwithstanding the above, our Directors believe that our Group is able to operate with financial independence from our Controlling Shareholders and their close associates for the following reasons:

- As of June 30, 2019, our unutilized bank credit facilities obtained from independent commercial banks without any assistance, guarantees or security from our Controlling Shareholders or their close associates amounted to approximately RMB3,442 million which was significantly more than the outstanding principal amount of our entrusted loans from ZGC Group. Such unutilized bank credit facilities can be used as working capital and the unused credit facilities are sufficient to cover our loans from ZGC Group;

- we were able to obtain, and we believe that we will continue to be able to obtain, debt financing from independent commercial banks and financial institutions without any financial assistance from ZGC Group or its close associates. During the Track Record Period, except for entrusted loans and guarantees from ZGC Group, our business growth was supported by diverse and sustainable funding sources, mainly including bank loans from independent commercial banks and asset-backed securities. As of June 30, 2019, our outstanding bank loans obtained from independent commercial banks and asset-backed securities without any assistance, guarantees or securities from our Controlling Shareholders or their close associates amounted to RMB2,000 million, representing approximately 55.6% of our aggregate outstanding borrowings. In addition, in August 2019, we issued our Phase 4 ABS and raised a total of RMB970 million, among which only RMB210 million principal was guaranteed by ZGC Group. For details of our diverse funding sources during the Track Record Period, see "Business—Funding Sources";

- the credit financing from ZGC Group to us is and will continue to be on normal commercial terms that are no less favorable to us than those available from independent commercial banks. We also have discretion in selecting financial services from independent commercial banks as it thinks fit and appropriate for the benefits of the Group;

- the interest rates charged by ZGC Group have been in a reasonable range in line with market rates in general and no less than the PBOC benchmark loan interest rates. In addition, we have independent financing source other than entrusted loans from ZGC, such as issuance of ABS during the Track Record Period, as well as our capacity to obtain financing from other independent third party commercial banks and financial institutions. Therefore, our financial independence will not be adversely affected by virtue of obtaining entrusted loans from ZGC Group and our business operation and financial performance would not be materially and adversely impacted even if we had to obtain all our financing from independent commercial banks and financial institutions; and

- As of June 30, 2019, we had a strong financial position with cash and cash equivalents of approximately RMB383.6 million.

Taking into account of the above factors, our Directors believe that the financial assistance provided by ZGC Group during the Track Record Period would not affect our financial independence from ZGC Group, and going forward, our Company will continue to be capable of obtaining financing from independent external sources for our business operations on normal commercial terms without reliance on our Controlling Shareholders.

Management Independence

Our Board, Supervisors and senior management function independently from our Controlling Shareholders and their close associates. The table below sets out the positions held by our Directors, Supervisors and senior management in our Controlling Shareholders and their subsidiaries other than our Group as of the Latest Practicable Date.

Name	Positions held in our Company	Positions held in ZGC Group and its subsidiaries other than our Group
Mr. Hongwei Duan (段宏偉)	Chairman of the Board, Non-executive Director	Director, general manager of ZGC Finance, 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) and 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)
Mr. Yixiang Lou (婁毅翔)	Non-executive Director	Director of the strategy management department of ZGC Group, director of Beijing Zhongguancun Technology Financing Guarantee Co., Ltd. (北京中關村科技融資擔保有限公司), and director of Beijing Zhongguancun Electronic City Construction Co., Ltd. (北京中關村電子城建設有限公司)

Name	Positions held in our Company	Positions held in ZGC Group and its subsidiaries other than our Group
Mr. Shuqing Zhang (張書清)	Non-executive Director	Vice general manager of the technology finance department of ZGC Group, director of Beijing Oriental Yonghe Culture Investment Co., Ltd. (北京東方雍和文化創意投資有限公司), Zhongguancun VC Development Center (北京中關村創業投資發展有限公司) and Beijing Zhongguancun Technology Financing Guarantee Co., Ltd. (北京中關村科技融資擔保有限公司)
Mr. Rongfeng He (何融峰)	Executive Director and general manager	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)[1]
Mr. Jian Zhang (張健)	Chairman of the Board of Supervisors	Director of Beijing Oriental Yonghe Culture Investment Co., Ltd. (北京東方雍和文化創意投資有限公司), director of Beijing Zhongguancun Yanqing Park Construction and Development Co., Ltd. (北京中關村延慶園建設發展有限公司), and director of Beijing Shichuang High-tech Development Co., Ltd. (北京實創高科技發展有限責任公司)

(1) Beijing Zhongguancun Synergetic Innovation Investment Fund Management Co., Ltd. is a subsidiary of ZGC Group. Our Company owns 15% equity interest in Beijing Zhongguancun Synergetic Innovation Investment Fund Management Co., Ltd.

Mr. Hongwei Duan, Mr. Yixiang Lou and Mr. Shuqing Zhang are all non-executive Directors, and are not involved in the daily management of our Company. Mr. Rongfeng He is a director appointed by our Company to Beijing Zhongguancun Synergetic Innovation Investment Fund Management Co., Ltd., while not being involved in its daily management.

Our Board comprises two executive Directors, four non-executive Directors and three independent non-executive Directors. As of the Latest Practicable Date, save as disclosed above, none of our Directors (including all independent non-executive Directors) and members of our senior management held any positions in our Controlling Shareholders or their close associates other than our Group. Accordingly, our management are independent from our Controlling Shareholders.

The Board of Supervisors of our Company comprises seven Supervisors, one of whom will continue to hold positions upon Listing, in our Controlling Shareholders and/or their subsidiaries, apart from our Company. Mr. Jian Zhang is not an employee representative Supervisor and does not participate in the daily business operation and management of our Company. He is mainly responsible for presiding over the Board of Supervisors, overseeing the operation and financial matters of our Company, and the conduct of Directors and senior management of our Company.

Immediately after the Listing, the Board is required to comply with the Listing Rules in relation to connected transactions between our Company and our Controlling Shareholders and their associates. The connected transactions will be reviewed by independent non-executive Directors, and advice from independent financial advisor and approval from independent Shareholders on the connected transactions, if applicable, will be obtained.

Operational Independence

Our operations are independent from our Controlling Shareholders and their close associates. We have our own staff to support our operations and management. Saved as disclosed in the "Business—Properties—Leased properties" and "Connected Transactions—Fully Exempt Continuing Connected Transactions—Trademarks Licensing Agreement," we have all the required assets, licenses and other intellectual properties for operation of its business. In addition, we also have our own independent internal control, financial, accounting, treasury management, procurement, sales and marketing, administration, information technology, legal and compliance teams.

Given the fact that ZGC Group and our Group both mainly serve technology and new economy companies, there were certain overlapping customers between the two groups, and ZGC Group had occasionally referred customers to our Group during the Track Record Period. However, such overlapping and referred customers would not materially affect our operational independence from ZGC Group for the following reasons:

(1) although we did not track the exact number or the revenue contribution of the overlapping or referred customers during the Track Record Period, based on (a) our due diligence performed on our customers' corporate and financial information during the preparation of project due diligence reports prior to entering into finance lease agreements with our lessees; (b) the fact that we have our independent access to obtaining customers; and (c) our sales and marketing activities conducted by our sales and marketing personnel and frontline employees from our five industry-focused business project teams, our Directors reasonably estimate that the exact number and the revenue contribution of the overlapping or referred customers were not significant;

(2) given the clear business delineation between the two groups, the overlapping or referred customers would not result in competing business to the detriment of our business; and

(3) we have developed our business independently from ZGC Group since our incorporation, and we do not rely on ZGC Group for access to our customers. For our access to obtaining customers, please refer to "Business—Sales and Marketing" for more details.

We have conducted certain continuing connected transactions with ZGC Group and its associates, including trademarks license, shared administrative services, unsecured guarantee, and financial services. For reasons for and further details on such continuing connected transactions, see "Connected Transactions."

Notwithstanding such continuing connected transactions, we have been operating and will continue to operate independently from our Controlling Shareholders and their close associates for the following reasons:

- we have been conducting our business and recognized by our customers, under and by our company name as "Zhongguancun Science-Tech Leasing (中關村科技租賃)," and thus the use of ZGC Group's trademark will not make our business dependent on our Controlling Shareholders;

- the shared administrative services only involve a small portion of our total employees and have no material impact on our business operation;

- for reasons stated in "—Financial Independence," we were able to obtain, and we believe that we will continue to be able to obtain, debt financing from banks and other financial institutions without any financial assistance from our Controlling Shareholders or their close associates notwithstanding the unsecured guarantee and entrusted loans; and

- the pricing on the services provided by the Controlling Shareholders and their associates will be agreed through arm's length negotiations to ensure that the pricing is on normal commercial terms and is no less favorable to us than those available from Independent Third Parties.

NON-COMPETITION AGREEMENT

To avoid any potential competition between the business of our Controlling Shareholders and our Company, on December 20, 2019, each of the Controlling Shareholders entered into a non-competition agreement in favor of our Company (the "Non-Competition Agreement"), pursuant to which each of the Controlling Shareholders irrevocably undertakes to our Company that it will not and will procure its subsidiaries (except our 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 our Company ("Restricted Business") or own any rights or interests in such business within the Restricted Period (as defined below).

Each of the Controlling Shareholders has further irrevocably undertaken that during the Restricted Period (as defined below), it should and will procure its subsidiaries (except our Company) (each of the Controlling Shareholders and their subsidiaries together, "Offeror") to offer new business opportunities to us first in the following manner when any business, investment or other business opportunities ("New Business Opportunities") related to the Restricted Business become available to the Offeror:

(1) the Offeror will make referral of the New Business Opportunities to us, and will as soon as possible inform us in writing ("Offer Notice") about all necessary and reasonably required information in respect of any New Business Opportunities (including but not limited to details of the nature and investment or acquisition cost of the New Business Opportunities) for us to consider (a) whether the relevant New Business Opportunities will compete with our Core Business, and (b) whether taking up the New Business Opportunities is in the interest of our Group.

(2) Upon receipt of the Offer Notice, the independent non-executive Directors will consider whether to pursue the New Business Opportunities taking into account whether the relevant New Business Opportunities would be able to achieve a sustainable profitability level, whether they are in line with the prevailing development strategies of our Group, and whether they are in the best interest of the Shareholders. Our Company must inform the Offeror in writing within 20 Business Days after receipt of the Offer Notice about its decision on whether the New Business Opportunities will be pursued.

(3) Only when (a) the Offeror has received our notice to reject the New Business Opportunities and our confirmation that the relevant New Business Opportunities are not considered to be able to compete with our Core Business; or (b) the Offeror has not received the relevant notice from our Company within the period as stated above in paragraph (ii) after the Offer Notice has been received by us, then the Offeror is entitled to take up the New Business Opportunities on terms and conditions not more favorable than those specified in the Offer Notice issued to us.

If material changes occur in the terms and conditions of the New Business Opportunities after the referral of which have been made or procured to be made to us by the Offeror, referral of the revised New Business Opportunities shall be made by the Offeror to us again in the manner as stated above.

Within the Restricted Period, if the Offeror intends to transfer or sell to a third party all or part of the Restricted Business, it shall offer our Group such opportunity with a pre-emptive right on equal terms. If our independent non-executive Directors waive the pre-emptive right and inform the Offeror in written, the Offeror can make the transfer to the third party on no favorable terms.

Our Company has the option to acquire all or part of the equity interests, assets or other interests held by the Offeror through the New Business Opportunities at any time within the Restricted Period (the "Option for Purchase"). If a third party has the pre-emptive right in accordance with applicable laws and regulations or a prior legally binding document, our Company's Option for Purchase shall be subject to such third-party rights. In such a case, the Offeror shall use its best efforts to persuade the third party to waive its pre-emptive rights.

The undertakings under the Non-Competition Agreement are not applicable in the following circumstances:

(1) each of the Controlling Shareholders and/or their subsidiaries engage in the Restricted Business directly or indirectly through the ownership of equity interest in our Company; or

(2) each of the Controlling Shareholders and/or their subsidiaries engage in the Restricted Business directly or indirectly through the ownership of equity interest in listed companies other than our Company, if each of the Controlling Shareholders and/or their subsidiaries (except our Company) hold in aggregate not more than 10% of the issued share capital of relevant class of shares of such company, and each of the Controlling Shareholders and/or their subsidiaries (except our Company) has no right to appoint the majority of directors of such company or participate in the management of such company.

Pursuant to the Non-Competition Agreement, the Restricted Period refers to the period commencing from the Listing Date and ending on the following dates (whichever is earlier):

(1) the date when the H Shares of our Company cease to be listed on the Stock Exchange; and

(2) the date when each of the Controlling Shareholders ceases to be the controlling shareholder of our Company.

CORPORATE GOVERNANCE MEASURES

We have put in place sufficient corporate governance measures to manage the conflict of interest and potential competition from our Controlling Shareholders and safeguard the interest of the Shareholders, including:

- if a Director has a material interest in a particular transaction, he shall abstain from voting in any matters relating to such transaction being considered at the Board meeting and he will not be counted as a quorum of the Board meeting;

- if disinterested Directors (including independent non-executive Directors) reasonably seek to obtain independent and professional advice (such as financial advisor advice), the costs incurred for obtaining such advice will be borne by our Company;

- independent non-executive Directors will review the compliance with the undertakings under the Non-Competition Agreement by the Controlling Shareholders on an annual basis;

- the Controlling Shareholders will provide or procure the provision of all necessary information required for the Board's annual review of compliance with the Non-Competition Agreement;

- we have appointed Guotai Junan Capital Limited as our compliance adviser, which will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules;

- our Company will disclose in its annual report the decisions (if any) of independent non-executive Directors on matters relating to the New Business Opportunities and the relevant basis; and

- the Controlling Shareholders will make an annual declaration on its compliance with the Non-Competition Agreement in our annual report.

CONNECTED PERSON

Immediately following the completion of the Global Offering, ZGC Group will hold 45% (assuming no exercise of the Over-allotment Option) or approximately 43.4% (assuming full exercise of the Over-allotment Option) of the total issued Shares. Therefore, ZGC Group is our connected person and the following transactions between our Group and ZGC Group will constitute continuing connected transactions under Chapter 14A of the Listing Rules.

FULLY EXEMPT CONTINUING CONNECTED TRANSACTIONS

Trademarks Licensing Agreement

On December 20, 2019, we entered into a trademarks licensing agreement (the "Trademarks Licensing Agreement") with ZGC Group, pursuant to which ZGC Group has granted us an irrevocable royalty-free license to use certain trademarks registered by ZGC Group for an initial term of ten years from the date of the Trademarks Licensing Agreement. Subject to applicable laws and regulations, the Trademarks Licensing Agreement can be renewed as mutually agreed by the parties.

Our Directors are of the view that the transactions contemplated under the Trademarks Licensing Agreement are on normal commercial terms and the ten-year term is normal business practice for agreements of this type.

As nil consideration is payable by us to ZGC Group under the Trademarks Licensing Agreement, the highest applicable percentage ratio under the Trademarks Licensing Agreement is less than 0.1%. Therefore, the continuing connected transaction under the Trademarks Licensing Agreement constitutes a de minimis transaction under Rule 14A.76 of the Listing Rules and is therefore fully exempt from the independent shareholders' approval, annual review and all disclosure requirements.

Sharing of Administrative Service

On December 20, 2019, we entered into an administrative services agreement with ZGC Group, pursuant to which we and ZGC Group agreed to provide each other administrative services, including but not limited to, shared secretarial, human resources management services and legal services. The fees to be paid by us to ZGC Group and vice versa will be calculated on a cost basis.

As the transactions contemplated under the administrative services agreement constitute the sharing of administrative services on a cost basis, and the cost are identifiable and can be allocated to the parties on a fair and equitable basis, such agreement is fully exempted from the independent shareholders' approval, annual review and all disclosure requirements under Rules 14A.98 of the Listing Rules.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Financial Lease Framework Agreement

On December 20, 2019, we entered into a financial lease framework agreement (the "Financial Lease Framework Agreement") with ZGC Group, pursuant to which, our Company and/or our subsidiaries (if any) will provide financial lease services and related advisory services to ZGC Group and/or its associates. 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 our Company and/or our subsidiaries;
- with respect to specific financial lease projects, our Company and/or our 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.

Pricing policy: Based on the lending interest rate for a similar term set by PBOC, we determine lease interest on normal commercial terms and taking into account our financing cost and risk premium based on assessment of the credit risk of the associates of ZGC Group involved to ensure that the terms of transaction will be no more favorable to them than the terms available to Independent Third Parties with similar credit in the same industry. See the section headed "—Internal control measures on the Financial Lease Framework Agreement."

Reasons for the transactions

Certain associates of ZGC Group seek financial lease services and relevant advisory services from us from time to time to support their business developments. Since we are able to provide financial lease services and advisory services, and we are familiar with financial lease requirements of ZGC Group and its associates, we expect that ZGC Group and its associates will continue to seek financial lease services and relevant advisory services from us.

Historical amount and annual caps

In 2016, 2017, 2018 and the six months ended June 30, 2019, the total amount of lease principal provided by our Group to ZGC Group and/or its associates was approximately nil, RMB6.3 million, RMB9.1 million and nil, respectively, the total amount of lease interest received was approximately nil, RMB0.2 million, RMB0.9 million and RMB0.4 million, respectively, and the total amount of advisory services fee received was approximately nil, nil, RMB0.5 million and nil.

For the three years ending December 31, 2019, 2020 and 2021, the total amount of lease principal to be provided by our Group to ZGC Group and/or its associates is not expected to exceed RMB12.0 million, RMB12.0 million and RMB12.0 million, respectively, the total amount of lease interest to be received is not expected to exceed RMB0.9 million, RMB1.5 million and RMB1.6 million, respectively, and the total amount of advisory services fee received is not expected to exceed RMB1.2 million, RMB1.2 million and RMB1.2 million, respectively.

Basis for annual caps

The above proposed annual caps are based on the following factors: (1) the historical transaction amounts of financial lease services and relevant advisory services provided by us to ZGC Group and its associates. We estimate 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) our existing financial lease contractual arrangement with ZGC Group and its associates; and (3) the expected changes in our financing cost.

Internal control measures on the Financial Lease Framework Agreement

The provision of financial lease services to ZGC Group and/or its associates will be included in our overall risk management system for management according to our risk management policy, credit approval process and credit evaluation standards applicable to all of our customers. For details on our risk management system, policy and process, see "Risk Management." We screen the associates of ZGC Group according to differentiated industry standards and conduct credit assessment on them according to our credit approval process, and ultimately our Project Assessment Committee will approve individual financial lease projects. The factors we consider in risk assessments include customer reputation, customer base, growth trend, existing debt conditions, operating cash flows and the forecast cash flows to be generated by the relevant leased equipment, and we determine the lease interest based on the risk premium assessed by these factors. In addition, the individual financial lease agreements entered into between us and certain associates of ZGC Group also provide that if there is any change in the benchmark lending interest rate for a similar term set by the PBOC, we are entitled to change the lease interest to ensure that the interest collected by us from the associates of ZGC Group timely reflects the change in our financing cost.

Credit Services Framework Agreement

During the Track Record Period, ZGC Group and its subsidiaries had granted us an aggregate principal of RMB1.7 billion through several entrusted loans, with an outstanding balance of RMB1.6 billion as of June 30, 2019. See "Business—Funding Sources—Funding from our Controlling Shareholders and their subsidiaries" for details. As we expect to continue to borrow such entrusted loans from ZGC Group, on December 20, 2019, we entered into a credit services framework agreement (the "Credit Services Framework Agreement") with ZGC Group, pursuant to which, our Group may request ZGC Group to provide credit services (including, without limitation, entrusted loan) with security over the assets of our Group (including, without limitation, pledge of trade receivables) acceptable to ZGC Group.

Pricing policy: ZGC Group shall provide such credit services to us at an interest rate not higher than the interest rate of similar credit services for a similar term provided by an independent third party commercial bank or financial institution to our Group.

Reasons for the transactions

As our Controlling Shareholder, ZGC Group has a more thorough understanding of the business development and capital needs of our 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 us 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.

Our Group 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 Group. As a result, the legitimate interests of the Group in selecting financial service providers will not be jeopardized and will be safeguarded by such condition and discretion.

Historical amount and annual cap

The following chart sets forth the breakdown of the historical amounts and annual cap under the Credit Services Framework Agreement.

	Historical Amount (RMB million)				Proposed Annual Cap (RMB million)
	For the year ended December 31,			For the six months ended June 30,	For the period from January 1, 2020 to our first annual general meeting after the Listing
	2016	2017	2018	2019	
Credit services (daily maximum outstanding balances including accrued interest) with security over assets of our Group	1,454.9	1,565.8	1,865.2	1,637.7	1,234.2

Basis for cap

The cap of the credit services are determined with reference to (1) our historical transaction amounts with ZGC Group during the Track Record Period, i.e. an aggregate principal of entrusted loans of RMB1.7 billion accumulatively during the Track Record Period and the outstanding balance of entrusted loans from ZGC Group of RMB1.6 billion as of June 30, 2019, (2) the outstanding amount of the secured entrusted loans from ZGC Group, and (3) the expected growth of our financing obtained or to be obtained from independent commercial banks, financial institutions or other independent sources.

Internal control measures for the Credit Services Framework Agreement

We have adopted the following internal procedures on the Credit Services Framework Agreement to safeguard the interest of our Shareholders as a whole:

- Our financial market team will obtain the relevant interest rate or fee rate quotations from ZGC Group and independent commercial banks from time to time;

- Our financial market team will compare quotation from ZGC Group with quotation from independent commercial banks for credit of a similar type and maturity. If the interest rates and terms offered by ZGC Group are no less favorable than the pricing criteria as disclosed above, our Financial Market Team will submit an application to the general manager of our Company for review; and

- After the general manager of our Company has reviewed an individual transaction and confirmed that the above pricing criteria and other terms in the Credit Services Framework Agreement have been followed, the transactions will be submitted to the Board for approval.

Confirmation of Directors

Our Directors (including independent non-executive Directors) consider that the non-exempt continuing connected transactions have been and will be entered into in our ordinary and usual course of business and on normal commercial terms, are fair and reasonable and in the interest of our Company and Shareholders as a whole. The proposed annual caps mentioned above in respect of the non-exempt continuing connected transactions are also fair and reasonable and in the interest of our Company and our Shareholders as a whole. Furthermore, according to the Administrative Measures for Entrusted Loans Undertaken by Commercial Banks (商業銀行委託貸款管理辦法) adopted by the CBIRC, commercial banks are allowed to provide entrusted loans services and cash management services as entrusted by legal entities. Therefore, as advised by our PRC legal advisors, the provisions of the credit services under the Credit Services Framework Agreement is in compliance with all applicable PRC laws and regulations.

According to the requirements of Rule 14A.52 of the Listing Rules, the term of agreement for continuing connected transactions shall not exceed three years, unless the nature of transaction requires a longer period under special circumstances. The individual financial lease agreements and/or credit services agreements entered into or to be entered into by us with ZGC Group or its associates under the Financial Lease Framework Agreement and/or the Credit Services Framework Agreement may exceed three years and would range between three to five years. Due to the nature of financial services transactions, the term for financial lease agreements and credit services agreements entered into between us and independent third parties may range from three to five years. Therefore, our Directors (including independent non-executive Directors) consider that the individual financial lease agreements and credit services agreements entered into or to be entered into by us with ZGC Group or its associates under the Financial Lease Framework Agreement and/or the Credit Services Framework Agreement for a period of not more than five years are in line with our usual business practice for a similar type of agreements.

Confirmation of the Sole Sponsor

The Sole Sponsor considers that the non-exempt continuing connected transactions have been and will be entered into in our Group's ordinary and usual course of business and on normal commercial terms or better, are fair and reasonable and in the interest of our Company and the Shareholders as a whole. The proposed annual caps mentioned above in respect of the non-exempt continuing connected transactions are also fair and reasonable and in the interest of our Company and our Shareholders as a whole.

The Sole Sponsor considers that due to the nature of financial lease industry, the individual financial lease agreements and/or credit services agreements entered into or to be entered into by our Group with associates of ZGC Group under the Financial Lease Framework Agreement and/or the Credit Services Framework Agreement with a term of more than three years are consistent with the general practice in the financial lease industry.

Waiver from the Stock Exchange

For each of the three financial years ending December 31, 2019, 2020 and 2021, the highest applicable percentage ratio for the transactions contemplated under the Financial Lease Framework Agreement is expected to exceed 0.1% but less than 5%. Accordingly, the transactions contemplated under the Financial Lease Framework Agreement are subject to the announcement, annual review and reporting requirements under Chapter 14A of the Listing Rules.

For the period from January 1, 2020 to the date of the first annual general meeting of our Company after the Listing, the highest applicable percentage ratio for the transactions contemplated under the Credit Services Framework Agreement is expected to exceed 5%. Accordingly, the transactions contemplated under the Credit Services Framework Agreement are subject to the announcement, independent shareholders' approval, annual review and reporting, and circular requirements under Chapter 14A of the Listing Rules.

We have applied for and the Stock Exchange has granted a waiver from strict compliance with (1) the announcement requirement under the Listing Rules in respect of the transactions under the Financial Lease Framework Agreement; and (2) the announcement, circular and independent shareholders' approval requirements under the Listing Rules in respect of the transactions under the Credit Services Framework Agreement. The waiver granted by the Stock Exchange for the transactions under the Credit Services Framework Agreement is subject to, among others, the conditions that the total transaction amount for the period from January 1, 2020 to our first annual general meeting after the Listing, which is expected to be held on or before June 30, 2020 in accordance with our Articles of Association will not exceed the proposed annual cap of RMB1,234.2 million and that the waiver will be valid until our Company's first annual general meeting after the Listing. If independent Shareholders' approval cannot be obtained at our Company's first annual general meeting after the Listing, we will discontinue such transactions contemplated under the Credit Services Framework Agreement unless otherwise permitted or exempted under Chapter 14A of the Listing Rules. Our independent non-executive Directors and the auditor of our Company will review the non-exempt continuing connected transactions on whether they are entered into in accordance with the terms and pricing policy of the relevant framework agreements as disclosed in this section. Confirmations from our independent non-executive Directors and the auditor will be disclosed in the annual report of our Company each year in compliance with the requirement of the Listing Rules.

In addition, our Directors confirm that we will comply with the applicable requirements under Chapter 14A of the Listing Rules and will immediately inform the Stock Exchange if any of the proposed annual caps set forth above are exceeded, or when there is a material change in the terms of the transactions.

If the Listing Rules impose more stringent requirements in respect of the transactions contemplated under the Credit Services Agreement in the future, we will promptly adopt measures within a reasonable time to ensure compliance with such new requirements.

DIRECTORS

Our Board of Directors currently consists of two executive Directors, four non-executive Directors and three independent non-executive Directors. The following table sets forth general information regarding our current Directors.

Name	Age	Position	Roles and Responsibilities	Timing of Joining our Company	Date of First Appointment as Director	Relationship with Other Directors, Supervisors and Senior Management
Mr. Hongwei Duan (段宏偉)	56	Chairman and non-executive Director	Presiding over Board meetings, supervising and inspecting the implementation of Board resolutions, and participating in the formation of operation strategies and other major decisions of our Company	August 13, 2019	August 13, 2019	–
Mr. Yixiang Lou (婁毅翔)	43	Non-executive Director	Participating in the formation of operation strategies and other major decisions of our Company	August 13, 2019	August 13, 2019	–
Mr. Shuqing Zhang (張書清)	46	Non-executive Director	Same as above	August 13, 2019	August 13, 2019	–
Mr. Peng Li (李鵬)	59	Non-executive Director	Same as above	January 29, 2018	January 29, 2018	–
Mr. Rongfeng He (何融峰)	51	Executive Director and general manager	Participating in the formation of operation strategies and other major decisions of our Company, and responsible for overall operation and management of our Company	January 1, 2013	August 13, 2019	–
Mr. Wen Huang (黃聞)	45	Executive Director and deputy general manager	Participating in the formation of operation strategies and other major decisions of our Company, and responsible for market exploration and management of human resources	April 22, 2013	August 13, 2019	–

Name	Age	Position	Roles and Responsibilities	Timing of Joining our Company	Date of First Appointment as Director	Relationship with Other Directors, Supervisors and Senior Management
Mr. Dongyue Cheng (程東躍)	60	Independent non-executive Director	Participating in corporate governance and formation of major development plans of our Company, and providing independent opinions on major issues involving the interests of minority Shareholders	September 20, 2019	September 20, 2019	–
Mr. Wu Tak Lung (吳德龍)	54	Independent non-executive Director	Participating in corporate governance and formation of major development plans of our Company, and providing independent opinions on major issues involving the interests of minority Shareholders	August 29, 2019	August 29, 2019	–
Ms. Zhen Lin (林禎)	36	Independent non-executive Director	Participating in corporate governance and formation of major development plans of our Company, and providing independent opinions on major issues involving the interests of minority Shareholders	August 29, 2019	August 29, 2019	–

Non-executive Directors

Mr. Hongwei Duan (段宏偉), aged 56, was elected as our chairman and non-executive Director by the Shareholders' general meeting in August 2019. He is primarily responsible for presiding over Board meetings, supervising and inspecting the implementation of Board resolutions, and participating in the formation of operation strategies and other major decisions of our Company.

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. 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. Yixiang Lou (婁毅翔), aged 43, was elected as a non-executive Director by the Shareholders' general meeting in August 2019. He is primarily responsible for participating in the formulation of operation strategies and other major decisions of our Company.

Mr. Lou has served as a director of Beijing Zhongguancun Technology Financing Guarantee Co., Ltd. since February 2019. He has served as a director of Beijing Zhongguancun Electronic City Construction Co., Ltd. (北京中關村電子城建設有限公司) since March 2018. He has successively served as a vice director and director of the strategy management department (previously known as strategy development department) of ZGC Group since April 2015, primarily responsible for corporate strategies development. From July 2003 to May 2015, he served in several positions in local government institutions including a vice director of the integration office of national economy in Beijing Municipal Commission of Development and Reform and principal staff member (主任科員) of the general office under the research department of Beijing municipal government.

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

Mr. Shuqing Zhang (張書清), aged 46, was elected as a non-executive Director by the Shareholders' general meeting in August 2019. He is primarily responsible for participating in the formulation of operation strategies and other major decisions of our Company.

Mr. Zhang has served in several positions at ZGC Group since April 2012. He has been the vice general manager of the technology finance department of ZGC Group since June 2018, 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) since September 2015 and Zhongguancun VC Development Center (北京中關村創業投資發展有限公司) since February 2016. He has been serving as a director and general manager of Beijing Qiyuan Capital Market Development Service Co., Ltd. (北京啟元資本市場發展服務有限公司), an associated company of ZGC Group, since June 2018, primarily responsible for overall operation and management of the company. From January 2010 to May 2012, he was a postdoctoral research fellow at the mobile station of postdoctoral scientific researchers at Tsinghua University School of Public Policy and Management (清華大學公共管理博士後科研流動站).

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

Mr. Peng Li (李鵬), aged 59, is a non-executive Director. Mr. Li joined our Company in January 2018 as a director. He is primarily responsible for participating in the formulation of operation strategies and other major decisions of our Company.

Mr. Li has been serving as a deputy general manager of Wangjing Development since October 2012. Mr. Li served as the general manager of Beijing Wangjing Shi'anke Industry and Trade Center (北京市望京實安科工貿中心), a subsidiary of Wangjing Development, from December 2007 to February 2014.

Mr. Li graduated from Beijing Graduate School of China University of Mining and Technology (中國礦業大學北京研究生部) with a master's degree in engineering in January 1992.

Executive Directors

Mr. Rongfeng He (何融峰), aged 51, is an executive Director and the general manager of our Company and is primarily responsible for participating in formation of operation strategies and other major decisions of the Company, including credit risk management related decisions, and responsible for overall operation and management of our 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 our Company, Mr. He served as the deputy general manager of China KangFu International Leasing Co., Ltd. (中國康富國際租賃股份有限公司), a company whose shares are quoted on National Equities Exchanges and Quotations (stock code: 833499), from March 2005 to January 2009. He then served as the general manager of China KangFu International Leasing Co., Ltd. from February 2009 to December 2012, responsible for the overall operation and management of the company.

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

Mr. Wen Huang (黃聞), aged 45, is an executive Director and deputy general manager of our Company and is primarily responsible for participating in formation of operation strategies and other major decisions of the Company, and responsible for market exploration and management of human resources. Mr. Huang joined our Company in April 2013 as the general manager assistant, then has been serving as a deputy general manager of our Company since December 2014.

Mr. Huang has around 13 years of experience in corporate management. Prior to joining our 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. Dongyue Cheng (程東躍), aged 60, was elected as an independent non-executive Director by the shareholders' general meeting in September 2019. He is primarily responsible for participating in corporate governance and formulation of major development plans of our Company, and providing independent opinions on major issues involving the interests of minority Shareholders.

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 (浙江大學融資租賃研究中心) 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 54, was elected as an independent non-executive Director by the Shareholders' general meeting in August 2019. He is primarily responsible for participating in corporate governance and formulation of major development plans of the Company, and providing independent opinions on major issues involving the interests of minority Shareholders.

Up to the Latest Practicable Date, Mr. Wu has served as an independent non-executive director of each of the following companies listed on the Stock Exchange: (1) Beijing Media Corporation Limited (stock code: 1000) since May 2013, (2) China Machinery Engineering Corporation (stock code: 1829) since February 2014, (3) Sinomax Group Limited (stock code: 1418) since March 2014, (4) Kam Hing International Holdings Limited (stock code: 2307) since December 2016, and (5) Henan Jinma Energy Company Limited (stock code: 6885) since September 2017.

Notwithstanding that Mr. Wu is holding directorships in five listed companies, among which he is holding chairman positions in the audit committees in three of those five listed companies, our Directors and the Sole Sponsor are of the view that he is still able to devote sufficient time to our Board and our Company for the following reasons:

- as independent non-executive directors of the above-mentioned listed companies, Mr. Wu does not participate in their daily operations;

- Mr. Wu has served as an independent non-executive director for a number of public companies in the past 13 years, and has accumulated abundant experience in corporate governance and discharging the responsibilities as an independent non-executive director. In particular, he had managed his time and workload when he concurrently acted as an independent non-executive director for more than seven listed companies in 2017[(1)]; and

- based on the published annual reports of the above-mentioned listed companies, Mr. Wu has attended substantially all the board meetings of those companies during his tenure, and he did not find any difficulty in allocating his time for his directorships.

(1) Those listed companies include: Beijing Media Corporation Limited, China Machinery Engineering Corporation, Sinomax Group Limited, Kam Hing International Holdings Limited, Henan Jinma Energy Company Limited, First Tractor Company Limited, Olympic Circuit Technology Co., Ltd., Huarong Investment Stock Corporation Limited, Sinotrans Shipping Limited.

Save as disclosed above, Mr. Wu held several directorship positions in the following listed companies in the last three years immediately preceding the date of this prospectus: (1) an independent non-executive director of First Tractor Company Limited (a company listed on the Stock Exchange with stock code: 0038 and listed on Shanghai Stock Exchange with stock code: 601038) from December 2012 to October 2018, (2) an independent director of Olympic Circuit Technology Co., Ltd. (a company listed on the Shanghai Stock Exchange with stock code: 603920) from May 2013 to May 2019, (3) an independent non-executive director of Huarong Investment Stock Corporation Limited (a company listed on the Stock Exchange with stock code: 2277) from November 2016 to September 2017, and (4) an independent non-executive director of Sinotrans Shipping Limited (a company previously listed on the Stock Exchange with stock code: 0368, which was privatized by way of scheme of arrangement in January 2019) from July 2017 to January 2019.

From March 2008 to November 2011, Mr. Wu served as an independent non-executive director of iMerchants Limited (a company listed on the Stock Exchange, stock code: 8009). From May 2008 to December 2010, Mr. Wu served as an independent non-executive director of Hanergy Thin Film Power Group Limited (a company formerly known as Apollo Solar Energy Technology Holdings Limited, and previously listed on the Stock Exchange, stock code: 0566, which was delisted in June 2019). From November 2006 to November 2016, Mr. Wu served as an independent non-executive director of AUPU Group Holding Company Limited (a company previously listed on the Stock Exchange, stock code: 0477, which was delisted September 2016).

Mr. Wu obtained a bachelor's degree of business administration in accounting from Hong Kong Baptist College (currently known as Hong Kong Baptist University) in December 1993 and a master's degree in business administration jointly from The University of Manchester and University of Wales in February 2001. He successively served as a junior auditor, an accountant and an audit manager of Deloitte Touche Tohmatsu from July 1989 to August 1994.

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

Mr. Wu served as an independent non-executive director of Ezcom Holdings Limited (a company previously listed on the Stock Exchange with stock code: 0312, "**Ezcom**") from September 2004 to August 2005. During Mr. Wu's directorship with Ezcom, a winding-up petition was filed by a supplier against Ezcom and its subsidiary. Ezcom was subsequently delisted from the Stock Exchange in July 2007. Mr. Wu has confirmed that (1) there was no wrongful act or default on his part leading to the liquidation proceedings against Ezcom; and (2) there had not been any claim against him arising from such liquidation proceedings or delisting as of the Latest Practicable Date.

Ms. Zhen Lin (林禎), aged 36, was elected as an independent non-executive Director by the Shareholders' general meeting in August 2019. She is primarily responsible for participating in corporate governance and formulation of major development plans of our Company, and providing independent opinions on major issues involving the interests of minority Shareholders.

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

Ms. Lin graduated from East China University of Political Science and Law (華東政法大學) with a bachelor's degree in law in July 2005. She obtained a master's degree in international and comparative law from Illinois Institute of Technology Chicago-Kent College of Law in May 2010. She was accredited as a PRC lawyer by Shanghai Municipal Bureau of Justice in June 2016.

SUPERVISORS

The following table sets forth general information regarding our Supervisors.

Name	Age	Position	Roles and Responsibilities	Timing of Joining our Company	Date of First Appointment as Supervisor	Relationship with Other Directors, Supervisor, and Senior Management
Mr. Jian Zhang (張健)	48	Chairman of the Board of Supervisors	Presiding over the Board of Supervisors, overseeing the operation and financial matters of our Company, and the conduct of Directors and senior management	August 13, 2019	August 13, 2019	–

Name	Age	Position	Roles and Responsibilities	Timing of Joining our Company	Date of First Appointment as Supervisor	Relationship with Other Directors, Supervisor, and Senior Management
Mr. Anping Tian (田安平)	40	Supervisor	Monitoring and overseeing our Company's financial matters, examining our Company's periodic reports, and supervising the conduct of the Board and senior management	November 28, 2017	August 13, 2019	–
Mr. Fang Fang (方放)	39	Supervisor	Monitoring and overseeing our Company's financial matters, examining our Company's periodic reports, and supervising the conduct of the Board and senior management	August 13, 2019	August 13, 2019	–
Mr. Limin Long (龍利民)	51	Supervisor	Monitoring and overseeing our Company's financial matters, examining our Company's periodic reports, and supervising the conduct of the Board and senior management	August 13, 2019	August 13, 2019	–
Mr. Chao Tong (佟超)	41	Supervisor	Monitoring and overseeing our Company's financial matters, examining our Company's periodic reports, and supervising the conduct of the Board and senior management	April 30, 2013	August 13, 2019	–

Name	Age	Position	Roles and Responsibilities	Timing of Joining our Company	Date of First Appointment as Supervisor	Relationship with Other Directors, Supervisor, and Senior Management
Ms. Di Zhou (周迪)	42	Supervisor	Monitoring and overseeing our Company's financial matters, examining our Company's periodic reports, and supervising the conduct of the Board and senior management	April 22, 2013	August 13, 2019	–
Ms. Nana Han (韓娜娜)	37	Supervisor	Monitoring and overseeing our Company's financial matters, examining our Company's periodic reports, and supervising the conduct of the Board and senior management	March 1, 2018	August 13, 2019	–

Mr. Jian Zhang (張健), aged 48, was elected as the chairman of the Board of Supervisors in August 2019, primarily responsible for presiding over the Board of Supervisors, overseeing the operation and financial matters of our Company, and the conduct of Directors and senior management of our Company.

Mr. Zhang has been the director of the capital operation department of ZGC Group since December 2015, prior to which he served as the vice director of this department from November 2012. Mr. Zhang has also served in several of ZGC Group's subsidiaries, including as a director of Beijing Shichuang High-tech Development Co., Ltd. (北京實創高科技發展有限責任公司) since January 2018, as a director of Beijing Oriental Yonghe Culture Investment Co., Ltd. (北京東方雍和文化創意投資有限公司) since September 2015, and as a director of Beijing Zhongguancun Yanqing Park Construction and Development Co., Ltd. (北京中關村延慶園建設發展有限公司) since August 2014. Prior to joining ZGC Group, he served in several positions at Bozheng Capital Investment Co., Ltd. (博正資本投資有限公司) from March 2011 to August 2012, including the vice president and senior vice president of the business department and vice general manager. From January 2005 to February 2011, he served as the vice general manager of the assets management department and the board secretary of Cernet Corporation (賽爾網絡有限公司).

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

Mr. Anping Tian (田安平), aged 40, was elected as a supervisor of our Company in August 2019, primarily responsible for monitoring and overseeing our Company's financial matters, examining our Company's periodic reports, and supervising the conduct of the Board and senior management.

Mr. Tian has served in several positions in Chaoyang SCOMC since August 2011, including the vice director of general matter office and principal of Communist Party of China ("CPC") related affairs, and is currently the director of the Party-masses work department, primarily responsible for CPC-related affairs. From December 2017 to August 2019, Mr. Tian served as a director of our 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 39, was elected as a supervisor of our Company in August 2019, primarily responsible for monitoring and overseeing our Company's financial matters, examining our Company's periodic reports, and supervising the conduct of the Board and senior management.

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 has been serving 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) since October 2017. 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. Limin Long (龍利民), aged 51, was elected as a supervisor of our Company in August 2019 and is primarily responsible for monitoring and overseeing our Company's financial matters, examining our Company's periodic reports, and supervising the conduct of the Board and senior management.

Mr. Long has served as a director and deputy general manager of Beijing Originwater since December 2018, prior to which he served as the director of operation planning center and director of price quotation and procurement department in Beijing Originwater from December 2013. He served as an executive vice president of Shandong AirMaster Limited Company (山東雅士股份有限公司) from May 2011 to December 2012, an operation planning director of Beijing Originwater from November 2010 to May 2011, and a deputy general manager of Tsinghua Tongfang Artificial Environment Co., Ltd. (清華同方人工環境有限公司) from 2000 to 2010.

Mr. Long obtained a bachelor's degree in engineering from Chongqing University (重慶大學) in July 1991, and a certificate of completion of senior seminar of graduate courses specialized in high and new technology and management practice from Tsinghua University in October 2003.

Mr. Chao Tong (佟超), aged 41, was elected as an employee representative supervisor of our Company in August 2019 and is primarily responsible for monitoring and overseeing our Company's financial matters, examining our Company's periodic reports, and supervising the conduct of the Board and senior management. Since joining the Company in April 2013, Mr. Tong successively served as the director of the leasing team, risk management team and information technology team and he was promoted to serve as a chief expert of our Company in January 2018.

Prior to joining our 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. Di Zhou (周迪), aged 42, was elected as an employee representative supervisor of our Company in August 2019 and is primarily responsible for monitoring and overseeing our Company's financial matters, examining our Company's periodic reports, and supervising the conduct of the Board and senior management. Ms. Zhou joined our Company in April 2013. She has been the vice director of the assets management team of our Company since January 2018, prior to which, Ms. Zhou served as 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 our 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. Nana Han (韓娜娜) (with former name Lina Han (韓麗娜)), aged 37, was elected as an employee representative supervisor of our Company in August 2019 and is primarily responsible for monitoring and overseeing our Company's financial matters, examining our Company's periodic reports, and supervising the conduct of the Board and senior management. Since joining our Company in March 2018, Ms. Han has been serving as a vice director of the human resources team & Party-masses work team of our Company.

Prior to joining our Company, from August 2005 to March 2018, Ms. Han served in several positions in Aerospace Long March Launch Vehicle Technology Co., Ltd. (航天長征火箭技術有限公司), including an assistant of the Party-masses work department, and a deputy division chief of the corporate culture division at the Party-masses work department.

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

SENIOR MANAGEMENT

The following table sets forth general information regarding our senior management, in addition to our executive Directors listed above.

Name	Age	Position/Title	Roles and Responsibilities	Timing of Joining our Company	Relationship with Other Directors, Supervisors and Senior Management
Mr. Jiyan Dou (竇繼岩)	41	Deputy general manager and head of risk management team	Responsible for operation of project assessment team, risk management team, information technology team and innovation team	April 30, 2013	–
Ms. Pengyan Yang (楊鵬艷)	43	Deputy general manager	Responsible for eco-solutions business, intelligent manufacturing business and operation of financial market team	April 30, 2013	–

Name	Age	Position/Title	Roles and Responsibilities	Timing of Joining our Company	Relationship with Other Directors, Supervisors and Senior Management
Mr. Shouquan Liu (劉守泉)	38	General manager assistant	Responsible for big data business, life sciences & healthcare business and internet-based products & services business	November 1, 2013	–
Mr. Jingji Liang (梁經基)	43	General manager assistant and director of the assets management team	Responsible for operation of assets management team	April 30, 2013	–
Mr. Wei Gao (高偉)	53	Board secretary, company secretary and head of finance team	Responsible for management of finance team, strategic investment team and general office, and company secretarial work	June 17, 2019	–

Mr. Jiyan Dou (竇繼岩), aged 41, is a deputy general manager and head of risk management team of our Company and is responsible for operation of our project assessment team, risk management team, information technology team and innovation team. Mr. Dou joined our 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 our Company from December 2014 and Mr. Dou was promoted and has been serving as our 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 our 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 economist granted by Beijing Municipal Human Resources and Social Securities Bureau in November 2012.

Ms. Pengyan Yang (楊鵬豔), aged 43, is a deputy general manager of our Company and is primarily responsible for eco-solutions business, intelligent manufacturing business and operation of financial market team. Ms. Yang joined our 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 our Company since September 2017.

Prior to joining our Company, Ms. Yang served as the head of the planning and development department of ZGC Group from January 2012 to April 2013. From August 2010 to March 2011, she temporarily served as a president assistant in the insurance and non-banking service department of Beijing Financial Work Bureau (北京市金融局保險與非銀服務處) for training purpose. From March 2009 to May 2012, she was a postdoctoral fellow majoring in applied economics at Peking University (北京大學).

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

Mr. Shouquan Liu (劉守泉), aged 38, is a general manager assistant of our Company and is primarily responsible for big data business, life sciences & healthcare business and internet-based products & services business. Mr. Liu joined our Company in November 2013 as a senior manager of the leasing team of our 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 our Company since January 2018.

Prior to joining our Company, Mr. Liu served as the general manager assistant in Beijing Kaiyuan Finance Leasing Co., Ltd. (北京開元融資租賃有限公司) from April 2012 to October 2013. He served in Zhongdan Investment Credit Assurance Co., Ltd. (中擔投資信用擔保有限公司) from September 2009 to February 2012, primarily responsible for guarantee business. He served in Beijing Hyundai Motor Company (北京現代汽車有限公司) from August 2003 to July 2006.

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

Mr. Jingji Liang (梁經基), aged 43, is the general manager assistant and director of the assets management team of our Company and is primarily responsible for operation of assets management team of the Company. Mr. Liang has been serving as the director of the assets management team of our Company since joining our 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 our Company, Mr. Liang served as the general counsel of China KangFu International Leasing Co., Ltd. (中國康富國際租賃有限公司), a company whose shares are quoted on National Equities Exchanges and Quotations (stock code: 833499), from September 2007 to April 2013, primarily responsible for legal affairs.

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

Mr. Wei Gao (高偉), aged 53, is the board secretary, company secretary and head of finance team of our Company. Mr. Gao has been the board secretary since his joining our Company in June 2019. He was appointed as the company secretary and head of finance team of our Company in August 2019. Mr. Gao is primarily responsible for management of finance team, strategic investment team and general office, and secretarial work of our Company.

- Mr. Gao has extensive experience in corporate financing and managing overseas-listed companies. He has been one of the council members of The Hong Kong Institute of Chartered Secretaries since January 2012, and he has served as its vice president since April 2014; 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.

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

Except as disclosed in this prospectus, each of the members of our senior management has not held any directorship in the three years prior to the Latest Practicable Date in other public companies the securities of which are listed on any securities market in Hong Kong or overseas.

COMPANY SECRETARY

Mr. Wei Gao (高偉), aged 53, is the board secretary, company secretary and head of finance team of our Company. He was appointed as the company secretary of our Company on August 29, 2019. See "—Senior Management" for details of the biography of Mr. Gao.

FURTHER INFORMATION OF OUR DIRECTORS AND SUPERVISORS

Save as disclosed in this section, as of the Latest Practicable Date, each of our Directors and Supervisors (1) did not hold other positions in our Company; (2) had no other relationship with any Directors, Supervisors or the senior management of our Company; and (3) did not hold any directorship in any other listed companies in the past three years. As of the Latest Practicable Date, none of our Directors had any interest in the Shares within the meaning of Part XV of the SFO.

To the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, save as disclosed in this section, there was no additional matter with respect to the appointment of our Directors and Supervisors that needs to be brought to the attention of the Shareholders, and there was no additional information relating to our Directors and Supervisors that is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules as of the Latest Practicable Date.

BOARD COMMITTEES

The Board delegates certain responsibilities to various Board committees. In accordance with the relevant PRC laws and regulations, the Articles and the Listing Rules, we have established our Audit Committee, Remuneration Committee, Nomination Committee and Risk Control Committee.

Audit Committee

Our Audit Committee consists of Mr. Wu Tak Lung, Mr. Dongyue Cheng, Ms. Zhen Lin, Mr. Yixiang Lou and Mr. Peng Li. Mr. Wu Tak Lung has been appointed as the chairman of the Audit Committee.

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

Remuneration Committee

Our Remuneration Committee consists of Mr. Dongyue Cheng, Mr. Wu Tak Lung, Ms. Zhen Lin, Mr. Hongwei Duan and Mr. Rongfeng He. Mr. Dongyue Cheng has been appointed as the chairman of the Remuneration Committee.

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.

Nomination Committee

Our Nomination Committee consists of Mr. Hongwei Duan, Mr. Dongyue Cheng, Mr. Wu Tak Lung, Ms. Zhen Lin and Mr. Rongfeng He. Mr. Hongwei Duan has been appointed as the chairman of the Nomination Committee.

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

Risk Control Committee

Our Risk Control Committee consists of Ms. Zhen Lin, Mr. Dongyue Cheng, Mr. Wu Tak Lung, Mr. Shuqing Zhang and Mr. Wen Huang. Ms. Zhen Lin has been appointed as the chairwoman of the Risk Control Committee. The primary duties of the Risk Control Committee of the Company are as follows:

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. For details of the roles and functions of the Risk Control Committee, see "Risk Management—Risk Management Structure—Risk Management Committee."

BOARD DIVERSITY

The Company has adopted a board diversity policy which sets out the approach to achieve diversity of the Board. The Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level, including gender diversity, as an essential element in maintaining the Company's competitive advantage and enhancing its ability to attract, retain and motivate employees from the widest possible pool of available talent. In reviewing and assessing suitable candidates to serve as a director of the Company, 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. The nomination committee will discuss periodically and when necessary, agree on the measurable objectives for achieving diversity, including gender diversity, on the Board and recommend them to the Board for adoption. At present, the Board has not set any measurable objectives.

REMUNERATION POLICY AND EMOLUMENT OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Our Directors, Supervisors and senior management receive compensation in the form of salaries, benefits in kind and discretionary bonuses relating to the performance of the Group. We also reimburse them for expenses which are necessarily and reasonably incurred for providing services to us or executing their functions in relation to our operations. We regularly review and determine the remuneration and compensation packages of our Directors, Supervisors and senior management, by reference to, among others, market level of salaries paid by comparable companies, their respective responsibilities and our performance.

For each of the three years ended December 31, 2016, 2017 and 2018, and the six months ended June 30, 2019, the aggregate amount of emolument paid by us to our Directors and Supervisors was approximately RMB0.9 million, RMB1.0 million, RMB0.9 million and RMB0.9 million, respectively. It is estimated that under the arrangements currently in force, the aggregate emolument payable to our Directors and Supervisors for the year ending December 31, 2019, will be approximately RMB3.8 million.

The aggregate amount of remuneration (including fees, salaries, contributions to pension schemes, housing allowances and other allowances and benefits in kind and discretionary bonuses) which were paid or payable by the Company to our five highest paid individuals in 2016, 2017, 2018 and the six months ended June 30, 2019 was approximately RMB3.7 million, RMB6.4 million, RMB5.6 million and RMB4.4 million, respectively.

During the Track Record Period, no remuneration was paid by the Company to the Directors, Supervisors or the five highest paid individuals as an inducement to join or upon joining our Company or as a compensation for loss of office in connection with the management of the affairs of our Company or any subsidiary during the Track Record Period. Further, during the Track Record Period, none of our Directors or Supervisors had waived any remuneration during the same period.

Each of our executive Directors has entered into a service contract with the Company on December 20, 2019 and the Company has also entered into letters of appointment with each of our non-executive Directors and independent non-executive Directors on December 20, 2019. Further details of the terms of the above service contracts and letters of appointment are set out in "Statutory and General Information—C. Further Information about Our Directors, Supervisors and Substantial Shareholders" as Appendix VI to this prospectus.

COMPLIANCE ADVISOR

We have appointed Guotai Junan Capital Limited as our compliance advisor pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance advisor will advise us in the following circumstances:

- before the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transaction under the Listing Rules, is contemplated, including share issues and share repurchases;
- where we propose to use the net proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate or other information in this prospectus; and
- where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of our Shares or any other matters under Rule 13.10 of the Listing Rules.

Pursuant to Rule 19A.06 of the Listing Rules, Guotai Junan Capital Limited will, in a timely manner, inform us of any amendment or supplement to the Listing Rules that are announced by the Stock Exchange. Guotai Junan Capital Limited will also inform us of any amendment or supplement to applicable laws and guidelines.

The terms of the appointment shall commence on the Listing Date and end on the date which we distribute our annual report of our financial results for the first full financial year commencing after the Listing Date and such appointment may be subject to extension by mutual agreement.

THE COMMUNIST PARTY COMMITTEE

In accordance with the Constitution of the Communist Party of China (《中國共產黨章程》), we have established the committee of the Communist Party of the Company (the "Communist Party Committee"). The Communist Party Committee mainly assumes the following responsibilities:

- supervising the implementation of policies of Communist Party of China (the "CPC") and the State, and the decisions and guidance of the municipal committee, municipal government and the communist party committee of ZGC Group, in our Company;

- participating in decision-making of major issues of the Company, supporting the performance of their duties and responsibilities of the Directors, Supervisors and the management of our Company;

- establishing and improving our policies for selecting qualified and competitive management and staff to meet the principle of management of cadres by the CPC;

- supervising the conduct of the management, undertaking ideological and political work, leading trade union of our Company, and supporting employee representatives congress to perform its responsibilities; and

- other responsibilities entrusted by the communist party committee of ZGC Group, municipal government or the CPC.

SHARE STRUCTURE

Before the Global Offering

As of the Latest Practicable Date, the registered share capital of our Company is RMB1 billion divided into 1,000,000,000 Domestic Shares with a nominal value of RMB1.00 each.

Upon Completion of the Global Offering

Immediately following the completion of the Global Offering, assuming the Over-allotment Option is not exercised, our Company's registered share capital will be as follows:

Description of Shares	Number of Shares	Approximate percentage of registered capital
Domestic Shares in issue	1,000,000,000	75.00%
H Shares to be issued under the Global offering	333,334,000	25.00%
Total	1,333,334,000	100.00%

Immediately following the completion of the Global Offering, assuming the Over-allotment Option is exercised in full, our Company's registered share capital will be as follows:

Description of Shares	Number of Shares	Approximate percentage of registered capital
Domestic Shares in issue	1,000,000,000	72.29%
H Shares to be issued under the Global offering	383,334,000	27.71%
Total	1,383,334,000	100.00%

PUBLIC FLOAT REQUIREMENTS

Rule 8.08(1)(a) and (b) of the Listing Rules requires there to be an open market in the securities for which listing is sought and for a sufficient public float of an issuer's listed securities to be maintained. This normally means that (1) at least 25% of the issuer's total issued share capital must at all times be held by the public, and (2) where an issuer has one class of securities or more apart from the class of securities for which listing is sought, the total securities of the issuer held by the public (on all regulated market(s) including the Stock Exchange) at the time of listing must be at least 25% of the issuer's total number of issued shares. However, the class of securities for which listing is sought must not be less than 15% of the issuer's total number of issued shares, having an expected market capitalization at the time of listing of not less than HK$125.0 million.

Our Company undertakes that it will meet the public float requirement under the Listing Rules at the time of Listing and after the completion of the Global Offering (whether or not the Over-allotment Option is exercised in full). We will make appropriate disclosure of our public float and confirm the sufficiency of our public float in successive annual reports after Listing.

RANKING

The H Shares in issue upon completion of the Global Offering and Domestic Shares are both ordinary Shares in the share capital of our Company. However, apart from Chinese qualified domestic institutional investors and the qualified PRC investors under the Shanghai—Hong Kong Stock Connect or the Shenzhen—Hong Kong Stock Connect, H Shares generally cannot be subscribed for by or traded between legal or natural persons of the PRC. All dividends in respect of the H Shares are to be paid by us in Hong Kong dollars.

H Shares and Domestic Shares are regarded as different classes of Shares under our Articles of Association. The differences between the two classes of Shares, including provisions on class rights, the despatch of notices and financial reports to Shareholders, dispute resolution, registration of Shares on different registers of Shareholders, the method of Share transfer and the appointment of dividend receiving agents are set out in our Articles of Association and summarized in "Appendix V—Summary of Articles of Association" to this prospectus. Further, any change or abrogation of the rights of a class of Shareholders should be approved by way of a special resolution of the general meeting of Shareholders and by a separate meeting of Shareholders of the affected class of Shares. However, the procedures for approval by Shareholders of the affected class of Shares shall not apply (1) where we issue, upon approval by a special resolution of our Shareholders in a general meeting, either separately or concurrently every twelve months, not more than 20% of each of the existing issued H Shares and Domestic Shares, and (2) where our plan to issue H Shares and Domestic Shares on establishment is implemented within fifteen months from the date of approval by the securities regulatory authorities under the State Council. H Shares and Domestic Shares will however rank *pari passu* with each other in all other respects and, in particular, will rank equally (save for the currency of payment) for all dividends or distributions declared, paid or made after the date of this prospectus. H Shares and Domestic Shares are generally neither interchangeable nor fungible.

CONVERSION OF OUR DOMESTIC SHARES INTO H SHARES

Conversion of Domestic Shares

According to the stipulations by the State Council's securities regulatory authorities, our Domestic Shares may be converted into H Shares, and such converted H Shares may be listed or traded on an overseas stock exchange provided that prior to the conversion and trading of such converted Shares, the requisite internal approval processes have been duly completed and the approval from the relevant PRC regulatory authorities, including the CSRC, have been obtained. In addition, such conversion, trading and listing shall in all respects comply with the regulations prescribed by the State Council's securities regulatory authorities and the regulations, requirements and procedures prescribed by the relevant overseas stock exchange.

If any of our Domestic Shares is to be converted and to be traded as H Shares on the Stock Exchange, such conversion will be subject to the approval of the relevant PRC regulatory authorities including the CSRC. Approval of the Stock Exchange is required for the listing of such converted Shares on the Stock Exchange. Based on the methodology and procedures for the conversion of our Domestic Shares into H Shares as described in this section, we can apply for the listing of all or any portion of our Domestic Shares on the Stock Exchange as H Shares in advance of any proposed conversion to ensure that the conversion process can be completed promptly upon notice to the Stock Exchange and delivery of Shares for entry on the H Share register. As any listing of additional Shares after our initial listing on the Stock Exchange is ordinarily considered by the Stock Exchange to be a purely administrative matter, it does not require such prior application for listing at the time of our initial listing in Hong Kong.

Mechanism and Procedures for Conversion

After all the requisite approvals have been obtained, the following procedures will need to be completed in order to effect the conversion: the relevant Domestic Shares will be withdrawn from the Domestic Share registration and we will re-register such Shares on our H Share register maintained in Hong Kong and instruct our H Share Registrar to issue H Share certificates. Registration on our H Share register will be conditional on (1) our H Share Registrar lodging with the Stock Exchange a letter confirming the proper entry of the relevant H Shares on the H Share register and the due despatch of H Share certificates, and (2) the admission of the H Shares to trade on the Stock Exchange in compliance with the Listing Rules, the General Rules of CCASS and the CCASS Operational Procedures in force from time to time. Until the converted Shares are re-registered on our H Share register, such Shares would not be listed as H Shares.

So far as our Directors are aware, none of our Shareholders currently proposes to convert any of the Domestic Shares held by it into H Shares.

TRANSFER OF SHARES ISSUED PRIOR TO THE GLOBAL OFFERING

Under the PRC Company Law, Shares which have been in issue before we publicly issue Shares may not be transferred within one year from the date of listing on a stock exchange. Accordingly, Shares issued by our Company prior to the Listing Date shall be subject to this statutory restriction and not be transferred within a period of one year from the Listing Date.

REGISTRATION OF SHARES NOT LISTED ON AN OVERSEAS STOCK EXCHANGE

According to the Notice of Centralized Registration and Deposit of Non-overseas Listed Shares of Companies Listed on an Overseas Stock Exchange (《關於境外上市公司非境外上市股份集中登記存管有關事宜的通知》) issued by the CSRC, an overseas listed company is required to register its shares that are not listed on any overseas stock exchange with China Securities Depository and Clearing Corporation Limited within 15 business days upon its listing and provide a written report to the CSRC regarding the centralized registration and deposit of its non-overseas listed Shares as well as the current offering and listing of shares.

GENERAL MEETING AND CLASS MEETING

For details of circumstances under which our Shareholders' general meeting and class Shareholders' meeting are required, see our Articles of Association as summarized in "Appendix V—Summary of Articles of Association" to this prospectus.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised), the following persons will have interests or short positions in Shares or underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or, will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company and are therefore regarded as substantial shareholders of our Company under the Listing Rules:

Name of shareholder	Class of Shares held after the Global Offering	Capacity/Nature of interest	Number of Shares	Approximate percentage of shareholding of the same class	Approximate percentage of shareholding in the total registered capital of our Company
ZGC Group(1)	Domestic Shares	Beneficial interest, interest of controlled corporation	640,000,000	64.00%	48.00%
ZGC Investment Center(2)	Domestic Shares	Interest of controlled corporation	640,000,000	64.00%	48.00%
Chaoyang SCOMC(3)	Domestic Shares	Beneficial interest, interest of controlled corporation	200,000,000	20.00%	15.00%
Wangjing Development	Domestic Shares	Beneficial interest	100,000,000	10.00%	7.50%
Nanshan Capital	Domestic Shares	Beneficial interest	99,900,000	9.99%	7.49%
Nanshan Group Co., Ltd. (南山集團有限公司)(4)	Domestic Shares	Interest of controlled corporation	99,900,000	9.99%	7.49%
Nanshan Villagers' Committee of Dongjiang County, Longkou City (龍口市東江鎮南山村村民委員會)(4)	Domestic Shares	Interest of controlled corporation	99,900,000	9.99%	7.49%
Zuowen Song (宋作文)(4)	Domestic Shares	Interest of controlled corporation	99,900,000	9.99%	7.49%

(1) 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.

(2) 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%, upon the Listing.

(3) 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.

(4) Under the SFO, Nanshan Group Co., Ltd. (南山集團有限公司) is deemed to be interested in the entire interest held by Nanshan Capital, its wholly-owned subsidiary, upon the Listing. 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. Zuowen Song (宋作文), respectively, under the SFO, each of Nanshan Villagers' Committee of Dongjiang County, Longkou City and Mr. Zuowen Song is deemed to be interested in the entire interest held by Nanshan Group Co., Ltd., upon the Listing.

Save as disclosed herein, our Directors are not aware of any persons who will, immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised), without taking into account the Offer Shares that may be taken up under the Global Offering, have interests or short positions in Shares or underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or, will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

THE CORNERSTONE PLACING

We have entered into cornerstone investment agreements with three cornerstone investors (the "Cornerstone Investors" and each a "Cornerstone Investor"), pursuant to which the Cornerstone Investors have agreed to subscribe, or, if applicable, to cause their designated entities (each an "Investor Subsidiary") to subscribe, for certain number of H Shares at the Offer Price (the "Cornerstone Placing") as described below.

Assuming an Offer Price of HK$1.52 (being the low-end of the Offer Price range set out in this prospectus), the total number of H Shares to be subscribed by the Cornerstone Investors would be 111,212,000 representing approximately (1) 33.4% of the Offer Shares, assuming the Over-allotment Option is not exercised, (2) 8.3% of the Shares in issue upon completion of the Global Offering assuming the Over-allotment Option is not exercised, and (3) 8.0% of the Shares in issue upon completion of the Global Offering assuming the Over-allotment Option is fully exercised. Assuming an Offer Price of HK$1.62 (being the mid-point of the Offer Price range set out in this prospectus), the total number of H Shares to be subscribed by the Cornerstone Investors would b e 104,346,000, representing approximately (1) 31.3% of the Offer Shares, assuming the Over-allotment Option is not exercised, (2) 7.8% of the Shares in issue upon completion of the Global Offering assuming the Over-allotment Option is not exercised, and (3) 7.5% of the Shares in issue upon completion of the Global Offering assuming the Over-allotment Option is fully exercised. Assuming an Offer Price of HK$1.72 (being the high- end of the Offer Price range set out in this prospectus), the total number of H Shares subscribed by the Cornerstone Investors would be 98,280,000, representing approximately (1) 29.5% of the Offer Shares, assuming the Over-allotment Option is not exercised, (2) 7.4% of the Shares in issue upon completion of the Global Offering assuming the Over-allotment Option is not exercised, and (3) 7.1% of the Shares in issue upon completion of the Global Offering assuming the Over-allotment Option is fully exercised.

The Cornerstone Placing will form part of the International Offering and none of such Cornerstone Investors will subscribe for any Offer Shares under the Global Offering (other than and pursuant to their respective cornerstone investment agreement). The Offer Shares to be subscribed for by the Cornerstone Investors will rank pari passu in all respects with the other fully paid H Shares in issue upon completion of the Global Offering and will be counted towards the public float of our Company under Rules 8.08 and 8.24 of the Listing Rules.

The Offer Shares to be subscribed for by the Cornerstone Investors will not be affected by any reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering in the event of over-subscription under the Hong Kong Public Offering as described in "Structure of the Global Offering—The Hong Kong Public Offering" in this prospectus.

To the best knowledge of our Company, each of the Cornerstone Investors is independent from our Company, Directors, chief executive, Controlling Shareholders, substantial shareholders, connected persons and their respective associates, and they are not our existing Shareholders.

Immediately following completion of the Global Offering, the Cornerstone Investors will not have any board representation in our Company, and none of the Cornerstone Investors will become a substantial shareholder of our Company.

Details of the allocations to the Cornerstone Investors will be disclosed in the announcement of results of allocations in the Hong Kong Public Offering to be published on or around Monday, January 20, 2020.

We set out below a brief description of our Cornerstone Investors:

				Approximate % of the H Shares in issue immediately following the completion of the Global Offering		Approximate % of the Shares in issue immediately following the completion of the Global Offering	
Cornerstone Investors	Investment Amount(1)	Indicative Offer Price(2)	Number of H Shares to be Subscribed for(3)	Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is fully exercised	Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is fully exercised
United Crystal Limited	US$10 million	HK$1.52	51,382,000	15.4%	13.4%	3.9%	3.7%
		HK$1.62	48,210,000	14.5%	12.6%	3.6%	3.5%
		HK$1.72	45,408,000	13.6%	11.8%	3.4%	3.3%
Beijing Zhongguancun Science City Innovation and Development Co., Ltd.	RMB50 million	HK$1.52	37,394,000	11.2%	9.8%	2.8%	2.7%
		HK$1.62	35,086,000	10.5%	9.2%	2.6%	2.5%
		HK$1.72	33,046,000	9.9%	8.6%	2.5%	2.4%
Yusys Technologies Co., Ltd.	RMB30 million	HK$1.52	22,436,000	6.7%	5.9%	1.7%	1.6%
		HK$1.62	21,050,000	6.3%	5.5%	1.6%	1.5%
		HK$1.72	19,826,000	5.9%	5.2%	1.5%	1.4%

(1) Excluding brokerage, SFC transaction levy and Stock Exchange trading fee.

(2) Being the low-end (HK$1.52), mid-point (HK$1.62) and the high-end (HK$1.72) of the indicative Offer Price range.

(3) Subject to rounding down to the nearest whole board lot of 2,000 H Shares.

United Crystal Limited

United Crystal Limited ("United Crystal") has agreed to subscribe at the Offer Price for such number of Offer Shares (rounded down to the nearest whole board lot of 2,000 H Shares) that may be subscribed for with an aggregate amount of approximately US$10 million (excluding brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee).

United Crystal is incorporated in Hong Kong in July 2019, also a wholly-owned subsidiary of Beijing Enterprises Water Group Limited ("BEWG," a company listed on the Stock Exchange with the stock code of 00371). BEWG is primarily engaged in water management, including construction of sewage and tap water treatment plants, sewage treatment, tap water treatment and water supply. United Crystal Limited is an investment holding company under BEWG.

The Company became acquainted with the United Crystal through business acquaintance and liaison by Guotai Junan Securities (Hong Kong) Limited.

Beijing Zhongguancun Science City Innovation and Development Co., Ltd.

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) ("Science City") has agreed to subscribe at the Offer Price, for such number of Offer Shares (rounded down to the nearest whole board lot of 2,000 H Shares) that may be subscribed for with an aggregate amount of approximately RMB50 million (excluding brokerage, SFC transaction levy and Stock Exchange trading fee).

Science City is a company established in the PRC with limited liability in May 2019. It is a wholly-owned subsidiary of Beijing Haidian State-owned Capital Operation and Management Center (北京市海淀區國有資本經營管理中心), which holds approximately 11% equity interest in ZGC Group as of the Latest Practicable Date. Beijing Haidian State-owned Capital Operation and Management Center is a state-owned enterprise supervised by the State-owned Assets Supervision and Administration Commission of the People's Government of Haidian District, Beijing (北京市海淀區人民政府國有資產監督管理委員會). There is no management overlapping between our Company and Science City and/or their respective controlling shareholders. Science City is not accustomed to take instructions from our Company, the Directors, chief executive of the Company, Controlling Shareholders, substantial shareholders or existing shareholders or any of its subsidiaries or their respective close associates.

Science City is primarily engaged in technology business incubation, industrial investment, investment management and consultation, and assets management. Science City supports Zhongguancun Science City (中關村科學城), one of the three technology hubs in Beijing, mainly through optimizing its innovative eco-system and providing services to fast growing enterprises.

The Company became acquainted with the Science City through business acquaintance with Science City's senior management.

Yusys Technologies Co., Ltd.

Yusys Technologies Co., Ltd. (北京宇信科技集團股份有限公司) ("Yusys Technologies") has agreed to subscribe at the Offer Price, for such number of Offer Shares (rounded down to the nearest whole board lot of 2,000 H Shares) that may be subscribed for with an aggregate amount of approximately RMB30 million (excluding brokerage, SFC transaction levy and Stock Exchange trading fee).

Yusys Technologies is a company established in the PRC with limited liability and the issued shares of which are listed on Shenzhen Stock Exchange (stock code: 300674). Yusys Technologies is primarily engaged in providing banking and financial institutions with information services, such as consulting, software development and implementation, operation and maintenance, and system integration.

Yusys Technologies was introduced to the Company by Silk Road International Capital Limited (絲路國際資本有限公司).

Conditions Precedent

The subscription obligation of each Cornerstone Investor is subject to, among other things, the following conditions precedent:

(a) the Hong Kong Underwriting Agreement and the International Underwriting Agreement having been entered into and having become unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) and not having been terminated;

(b) the Listing Committee of the Stock Exchange having granted the approval for the Listing of, and permission to deal in, the H Shares and that such approval or permission has not been revoked prior to the commencement of dealings in the H Shares on the Stock Exchange; and

(c) the respective representations, warranties, undertakings, confirmations and acknowledgements of the relevant Cornerstone Investor and our Company under the relevant cornerstone investment agreement are, at the relevant time, accurate and true in all material respects and not misleading and there being no material breach of the relevant cornerstone investment agreement on the part of the relevant Cornerstone Investor.

Restrictions on the Cornerstone Investors' Investment

Each of the Cornerstone Investors has agreed that, without the prior written consent of our Company, the Sole Global Coordinator and the Sole Sponsor, it will not, and will procure that the Investor Subsidiary (if any) will not, at any time during the period of six (6) months following the Listing Date ("Lock-up Period"), dispose of (as defined in the relevant cornerstone investment agreement) any of the H Shares or any interest in any company or entity holding any of the relevant H Shares, other than in certain limited circumstances such as transfers to any wholly-owned subsidiary of such Cornerstone Investor.

Each Cornerstone Investor may transfer the H Shares so subscribed for in certain limited circumstances as set out in the relevant cornerstone investment agreement, such as transfer to a wholly owned subsidiary of such Cornerstone Investor, provided that prior to such transfer, such wholly owned subsidiary undertakes, and such Cornerstone Investor undertakes to procure, that such wholly owned subsidiary agrees to be bound by such Cornerstone Investor's obligations under the relevant cornerstone investment agreement and subject to the restrictions on disposals imposed on the Cornerstone Investor.

After expiration of the Lock-up Period, each Cornerstone Investor shall, subject to requirements under applicable laws and as specified in the relevant cornerstone investment agreement, be free to dispose of any relevant shares and shall ensure that any such disposal will not create a disorderly or false market in the Shares and is otherwise in compliance with the SFO and all applicable laws.

For illustrative purpose only, the calculation of the number of H Shares agreed to be purchased by the Cornerstone Investors under this section is based on the exchange rate of RMB1.00: HK$1.1368 and US$1.00: HK$7.8103.

Other Information

Under the cornerstone investment agreements, the Sole Global Coordinator may determine, in its sole discretion, to defer the delivery of part or all of the Offer Shares (but not the settlement of payment) to be subscribed by each of the Cornerstone Investors. Such Offer Shares would be used solely to cover the over-allocations in the International Offering. The Cornerstone Investors have each confirmed that (1) apart from the relevant cornerstone investment agreements, our Company has not entered into any other side letter agreements/arrangements with any of the Cornerstone Investors, (2) each of the Cornerstone Investors is not accustomed to take instructions from our Company, Directors, chief executive, Controlling Shareholders, substantial shareholders, existing shareholders or their respective close associates, and (3) none of the subscriptions of the Offer Shares by the Cornerstone Investors is financed by our Company, Directors, chief executive, Controlling Shareholders, substantial shareholders, existing shareholders or their respective close associates.

Our Directors believe that the subscription of Shares by the Cornerstone Investors would show their support for and confidence in our Company's business and financial prospect.

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with our consolidated financial statements (including the accompanying notes) in the Accountants' Report included in Appendix I to this prospectus. Our consolidated financial information has been prepared in accordance with IFRS, which may differ in material aspects from generally accepted accounting principles in other jurisdictions. The following discussion contains certain forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements due to various factors, including those set forth in "Risk Factors" and "Business."

OVERVIEW

We are a pioneer and the most dedicated finance lease company in serving technology and new economy companies in China in terms of the percentage of revenue in 2018 generated from technology and new economy companies, according to the F&S Report. In 2018, the percentage of our revenue generated from technology and new economy companies exceeded 95%, a percentage higher than any other finance lease company in China, according to the F&S Report. Adopting a customer-oriented business model and supported by our highly effective risk management system, we offer efficient finance lease solutions and advisory services to satisfy technology and new economy companies' needs for financial services at different stages of their growth.

During the Track Record Period, we successfully capitalized on the growth of our customers and experienced steady growth in our own business operations. Our total revenue increased from RMB318.0 million in 2016 to RMB412.8 million in 2018, representing a CAGR of 13.9%, and from RMB180.9 million in the six months ended June 30, 2018 to RMB250.1 million in the six months ended June 30, 2019, representing a 38.2% growth rate. Our profit for the year increased from RMB82.6 million in 2016 to RMB119.0 million in 2018, representing a CAGR of 20.0%, and our profit for the period increased from RMB54.8 million in the six months ended June 30, 2018 to RMB74.2 million in the six months ended June 30, 2019, representing a 35.3% growth rate.

BASIS OF PRESENTATION

Our historical financial information has been prepared in accordance with all applicable International Financial Reporting Standards ("IFRS") which includes all applicable individual IFRS, International Accounting Standards and Interpretations issued by the International Accounting Standards Board (the "IASB"). Further details of the significant accounting policies adopted are set out in note 2 to the Accountants' Report included in Appendix I to this prospectus.

The IASB has issued a number of new and revised IFRS. For the purpose of preparing and presenting our historical financial information, we have consistently applied IFRS, which are effective for the accounting period beginning on January 1, 2019 throughout the Track Record Period, except for IFRS 16, Leases, which has been adopted since January 1, 2019. We consider that the impact on our financial position and financial performance during the Track Record Period would be insignificant had IAS 18 been applied instead of IFRS 15. We have also assessed the effects of adoption of IFRS 16 and IFRS 9 on the Group's financial positions and performance and considered that the adoption did not have significant impact on the Group's net assets, key financial ratios, and net profits as compared to IAS 17 and IAS 39, respectively.

Based on our initial assessment, had IAS 39 been applied instead of IFRS 9 throughout the Track Record Period, the key items in the consolidated statements of profit or loss in 2016, 2017, 2018 and the six months ended June 30, 2018 and 2019 would have been affected as follows.

	For the year ended December 31,			For the six months ended June 30,	
Increase/(decrease)	**2016**	**2017**	**2018**	**2018**	**2019**
	(RMB in thousands)				
Impairment losses	10,613	(4,701)	12,628	750	11,322
Income tax expense	(2,654)	1,175	(3,157)	(187)	(2,830)
Profit for the year/period	(7,959)	3,526	(9,471)	563	(8,492)
Attributable to equity holders of the Company	(7,959)	3,526	(9,471)	563	(8,492)

Based on our initial assessment, had IAS 39 been applied instead of IFRS 9 throughout the Track Record Period, the key items in the consolidated statements of financial position as of December 31, 2016, 2017 and 2018 and June 30, 2019 would have been affected as follows.

	As of December 31,			As of June 30,
Increase/(decrease)	**2016**	**2017**	**2018**	**2019**
	(RMB in thousands)			
Finance lease receivables	(18,867)	(13,480)	(25,780)	(38,094)
Deferred tax assets	4,805	3,630	6,787	9,617
Trade and other liabilities	353	1,039	1,367	375
Reserves	(14,415)	(10,889)	(20,360)	(28,852)
Net assets	(14,415)	(10,889)	(20,360)	(28,852)

However, the above amounts are estimates only, since neither we nor our reporting accountants had audited or reviewed the consolidated financial statements for the Track Record Period based on IAS 39.

The following table summarizes the impacts of the adoption of IFRS 16 on the consolidated statements of financial position and the statement of financial position.

	Carrying amount at December 31, 2018	**Capitalization of operating lease contracts**	**Carrying amount at January 1, 2019**
		(RMB in thousands)	
Line items in the consolidated statements of financial position impacted by the adoption of IFRS 16:			
Property and equipment	703	21,371	22,074
Total non-current assets	**2,685,338**	**21,371**	**2,706,709**
Trade and other liabilities (current)	650,263	6,827	657,090
Current liabilities	**2,925,778**	**6,827**	**2,932,605**
Net current assets	**357,840**	**(6,827)**	**351,013**
Total assets less current liabilities	**3,043,178**	**14,544**	**3,057,722**
Trade and other liabilities (non-current)	698,788	14,544	713,332
Total non-current liabilities	**1,755,417**	**14,544**	**1,769,961**
Net assets	**1,287,761**	**–**	**1,287,761**

The following tables sets forth the estimated impact of the adoption of IFRS 16 on our financial result for the six months ended June 30, 2019, by adjusting the amounts reported under IFRS 16 in these consolidated financial statements to compute estimates of the hypothetical amounts that would have been recognized under IAS 17 had this superseded standard continued to apply in 2019 instead of IFRS 16, and by comparing these hypothetical amounts for the six months ended June 30, 2019 with the actual corresponding amounts for the six months ended June 30, 2018 which were prepared under IAS 17.

	For the six months ended June 30, 2019				For the six months ended June 30, 2018
	Amounts reported under IFRS 16 *(A)*	Add back: IFRS 16 depreciation and interest expense (B)	Deduct: Estimated amounts related to operating leases as if under IAS 17[(1)] (C)	Hypothetical amounts as if under IAS 17 (D=A+B+C)	Compared to amounts reported under IAS 17
	(RMB in thousands)				
Financial result for six months ended June 30, 2019 impacted by the adoption of IFRS 16:					
Profit before taxation	99,068	4,815	(5,121)	98,762	73,174
Profit for the period	74,213	4,815	(5,121)	73,907	54,840

(1) The "estimated amounts related to operating leases" is an estimate of the amounts of the cash flows during the six months ended June 30, 2019 that relate to leases which would have been classified as operating leases, if IAS 17 had still applied in 2019. This estimate assumes that there were no differences between rentals and cash flows and that all of the new leases entered into during the six months ended June 30, 2019 would have been classified as operating leases under IAS 17, if IAS 17 had still applied in 2019. Any potential net tax effect is ignored.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

We believe that the following are the key factors affecting our results of operations.

China's General Economic Conditions and Market Conditions of Key Industries

Our business operations, results of operations and financial condition are affected by the general economic conditions in China, especially the market conditions of the five main industries we serve: big data, eco-solutions, life sciences & healthcare, intelligent manufacturing, and internet-based products & services. Development in China's overall economic conditions may significantly affect entrepreneurs' decision to establish new enterprises, or existing companies' decisions to expand their business operations, which could lead to an overall decline in funding demand. Because we generate revenue primarily from interests we charge our customers arising out of the finance lease agreements, a decline in funding demand in the key industries we serve directly and adversely affect our results of operations and financial condition.

Changes in China's general economic conditions and market conditions in the key industries we serve also affect our existing customers' business operations and their abilities to make timely payments, which in turn affects our exposure to credit risks, revenue and impairment to lease receivables. Our exposure to liquidity risks is also affected, as we require sufficient cash inflow in the form of lease payments from our customers to meet our own debt obligations.

Regulatory Environment and Government Policies

We primarily serve technology and new economy companies in China. The success of their business operations and future growth prospects largely depend on the developments in China's regulatory environment and policies on technology and new economy industries. The concept of "new economy" was first proposed by the Vice Premier Liu in 2000, and was broadened by Premier Li in the 2014 Boao Forum for Asia to include all advanced technological and eco-friendly economic activities. Compared to traditional industries, technology and new economy industries in general enjoy more preferential tax rates and access to government subsidies and grants.

The Chinese government has also implemented a series of supportive policies to accelerate the development of the finance leasing industry, which provide guidance and support in various aspects, including access conditions, key applied areas, financing channels, and tax policies. For example, in 2015 the PRC State Council issued the Guiding Opinions on Accelerating the Development of the Finance lease Industry (《關於加快融資租賃行業發展的指導意見》), which encouraged the finance lease companies to play an important role in the development of real economy, industry upgrades and new emerging strategic sectors.

We believe these preferential government policies, laws and regulations have prompted the growth of both the finance lease industry in which we operate, and the technology and new economy industries which we serve and from which we generate revenue. We also believe that such favorable policies will continue to affect the growth of the finance lease industry and technology and new economy industries, and in turn affect our results of operations and financial condition.

Interest Rate

We primarily generate revenue from interest income arising out of the finance leases with our customers. In 2016, 2017 and 2018 and the six months ended June 30, 2018 and 2019, our interest income was RMB253.5 million, RMB283.8 million, RMB340.6 million, RMB155.1 million and RMB204.6 million, respectively, accounting for 79.7%, 79.1%, 82.5%, 85.7% and 81.8% of our total revenue, respectively. We recognize interest income using the effective interest method by applying the effective interest rate to the gross carrying amount of a finance lease receivable asset net of loss allowance, if any. The effective interest rate we charge our customers is generally set as a multiple of the benchmark interest rate set by the PBOC for loans with the same terms. From time to time, the PBOC may adjust its benchmark interest rates due to adjustments in monetary, fiscal or macro-economic policies. When the benchmark rate increases, the effective interest rates we charge our customers also increase, leading to increase in our interest income. A decrease in the benchmark rate would lead to the opposite result.

Because our target customers are typically in their early corporate existence, their credit histories and profit-making capabilities as measured by traditional metrics often fail to outperform established corporations with years of operating experience and sound financial results. To compensate for the enhanced credit risks we face, we usually place a premium on the interest we charge with reference to the PBOC benchmark rate. However, we are also mindful that our target customers are in their early development stages and are typically vulnerable to high funding costs despite their dire need for capital. The interest rates we charge, therefore, take into account both the credit risk profile of our target customers and their expected repayment capabilities. A negative shift in the general risk profile of a particular industry, such as the economic decline of or unfavorable policies towards a particular industry, could expose us to higher credit risks, which drives up the interest rate we charge and our revenue.

PBOC benchmark rate also affects our interest expense. We have three primary funding sources: borrowings from commercial banks, asset-backed securities, and entrusted loans from our Controlling Shareholders and their subsidiaries. The interest rates in our funding agreements are set with reference to the PBOC benchmark rate. In 2016, 2017, 2018 and the six months ended June 30, 2018 and 2019, our interest expense was RMB146.9 million, RMB155.1 million, RMB168.0 million, RMB75.9 million and RMB105.6 million, respectively, accounting for 46.2%, 43.3%, 40.7%, 42.0% and 42.2% of our total revenue, respectively. Fluctuations in the PBOC benchmark rate could lead to changes in interest expense.

Financing Capabilities and Funding Sources

Our ability to secure steady sources of funding at reasonable costs is critical to our business operations, results of operations and financial condition. Due to the nature of our business model, our business operations require a large amount of capital in a timely and cost-efficient manner. The availability of funding directly affects our ability to release funds to our customers and our ability to expand our operations, while the cost of funding directly impacts our interest expense, which had been our largest item of expenditure. In 2016, 2017 and 2018 and the six months ended June 30, 2018 and 2019, our interest expenses in relations to our borrowings were RMB123.8 million, RMB126.3 million, RMB136.5 million, RMB61.1 million and RMB87.3 million, respectively, representing 48.8%, 44.5%, 40.1%, 39.4% and 42.7% of our total interest income.

During the Track Record Period, we primarily relied on three funding sources: (1) borrowings from commercial banks, (2) issuance of asset-backed securities, and (3) entrusted loans from our Controlling Shareholders and their subsidiaries. As of June 30, 2019, our outstanding borrowings from the abovementioned funding sources were RMB1.7 billion, RMB0.3 billion and RMB1.6 billion, respectively. While we are actively exploring additional funding sources, we also make significant efforts in maintaining our existing relationships with financial institutions. Our overall funding strategies are to increase our percentage of funding from third-party financial institutions and investors, including commercial banks and investors in our asset-backed securities and this Listing. To that end, we have established and will continue to maintain sound credit ratings. In addition to our credit ratings, other factors may also affect our funding costs and capabilities, including the general economic conditions, government regulations on the industries we serve, and monetary and fiscal policies affecting fluctuations in benchmark interest rates. Changes in any of those factors may affect the willingness of our potential and existing funding partners to work with us, and affect the interest rate they are willing to offer, which affect our results of operations and financial condition.

Lease Receivable Quality and Risk Management

The quality of our lease receivables depends on the amount of credit risks to which we are exposed, and directly affects our ability to generate cash inflow and prevent asset impairment. During the Track Record Period, we have made great efforts in handling our exposure to credit risks and managing our lease receivables. Each potential lease application goes through several rounds of screening by our business project teams, risk management team, asset management team and project assessment committee before we enter into lease agreement and recognize the lease receivable. For details on our project approval process, see "Risk Management—Credit Risk Management." We have also implemented a comprehensive guideline to monitor the statuses of our lease receivables, mirroring the Guidelines on Classification of Loan Risks (《貸款風險分類指引》) issued by the CBRC. We classify our lease receivables into five categories: normal, special mention, sub-standard, doubtful and loss. See "Risk Management—Credit Risk Management—Post-lease Management—Lease receivable classification."

We believe these review and risk management procedures led to the low level of non-performing assets ("NPAs"), and ECLs, during the Track Record Period. Our NPA ratio was 0.7%, 1.5%, 1.3% and 1.4% as of December 31, 2016, 2017 and 2018 and June 30, 2019 respectively. According to the F&S Report, the industry average non-performing rate ranged from 0.86% to 1.67% from 2016 to June 30, 2019, and our non-performing rate was within such industry average range. As of December 31, 2016, 2017 and 2018 and June 30, 2019, our expected loss rate, being allowances for impairment losses as a percentage of net amount of finance lease receivables, was 1.4%, 1.8%, 2.0% and 2.2%, respectively. According to the F&S Report, the industry average expected loss rate ranged from 2.5% to 7.2%, and our expected loss rate was below such industry average. We will continue to monitor the development in the primary industries we serve to early-detect industry-wide indicators of potential changes in customer credit risks. We will also continue to monitor customer-specific indicators pursuant to our various lease management procedures. See "Risk Management—Credit Risk Management—Post-lease Management." We believe our continued ability to manage our exposure to credit risk and monitor our lease receivable quality will continue to affect our results of operations and financial condition.

Competition

Our ability to successfully compete in the relevant industries affects our business operations, results of operations and financial condition. We compete with companies in China's technology and new economy finance lease industry, which is relatively fragmented according to the F&S Report. We also compete with other finance lease companies whose business coverage includes technology and new economy industries. Besides finance lease companies, we also compete with other financial institutions such as commercial banks whose business include providing funding to technology and new economy companies.

According to the F&S Report, we are highly competitive among our competitors primarily due to our strategic focus to primarily serve technology and new economy companies, our robust risk management system, our advisory services which complement our finance lease solutions, and our wide industry recognition. We believe our competitiveness among our competitors have contributed to the continuous growth in our revenues and profitability during the Track Record Period, and our future competitiveness in serving technology and new economy companies will continue to drive our future growth in business operations and financial performance.

SIGNIFICANT ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

We have identified certain accounting policies that we believe are most significant to the preparation of our consolidated financial statements. Some of our significant accounting policies involve subjective assumptions and estimates, as well as complex judgments by our management relating to accounting items. Our significant accounting policies are set forth in detail in the Accountants' Report included in Appendix I to this prospectus.

The estimates and associated assumptions are based on our historical experience and various other relevant factors that we believe are reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. Our estimates and underlying assumptions are reviewed by our management on an ongoing basis.

Lease

On January 1, 2019, we adopted IFRS 16. Our Directors are of the view that the adoption of IFRS 16 has not had a significant impact on our results of operations and financial position during the Track Record Period.

Lessee accounting

IFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by IAS 17. Instead, we are required to capitalize all leases when we are the lessee, including leases previously classified as operating leases under IAS 17, other than those short-term leases and leases of low-value assets which are exempt. This change mainly affected property and equipment disclosed in note 14 to the Accountants' Report included in Appendix I to this prospectus. The following table reconciles the operating lease commitments immediately prior to our adoption of IFRS 16 to the opening balance for lease liabilities recognized immediately after the adoption of IFRS 16 on January 1, 2019.

Operating lease commitment as of December 31, 2018 (RMB in thousands)	24,551
Less: effect of value-added tax (RMB in thousands)	(1,936)
Less: total future interest expenses (RMB in thousands)	(1,244)
Lease liabilities recognized on January 1, 2019 (RMB in thousands)	21,371

For more details on the impact of our adoption of IFRS 16 on our results of operations as a lessee, see note 1 to the Accountants' Report included in Appendix I to this prospectus.

Lessor accounting

We generate a substantial amount of revenue from finance leases where we serve as the lessor. The accounting policies applicable to us as a lessor remain substantially unchanged from IAS 17.

Revenue Recognition

We recognize revenue when we transfer control over a product or service to our customer, or when the lessee has the right to use the asset, at the amount of promised consideration to which we expect to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides us a significant financing benefit, revenue recognized under that contract includes the interest expense accreted on the contract liability under the effective interest method. We take advantage of the practical expedient in paragraph 63 of IFRS 15 and do not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or shorter.

Further details of our revenue and other income recognition policies are as follows:

Interest income

We recognize interest income as it accrues using the effective interest method. For financial assets measured at amortized cost that are not credit-impaired, we apply the effective interest rate to the gross carrying amount of the asset. For credit-impaired financial assets, we apply the effective interest rate to the amortized cost of the asset, which is the asset's gross carrying amount net of loss allowance.

Advisory fee income

Depending on the nature of advisory services and the contract terms, we recognize advisory fee income at a point in time when the advisory services are completed.

Government grants

We recognize government grants in the consolidated statements of financial position initially when there is reasonable assurance that we will receive the grants and that we will comply with the attached conditions. We recognize grants that compensate us for expenses incurred as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. We deduct the grants that compensate our asset cost from the carrying amount of the assets and consequently recognize the grants in profit or loss over the useful life of the asset by way of reduced depreciation expense.

Financial Instruments

Recognition and initial measurement

We initially recognize/derecognize financial instruments on the date we commit to purchase/sell the investment. We initially state the investments at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss ("FVTPL") for which we recognize transaction costs directly in profit or loss.

Credit losses and impairment of assets

We recognize a loss allowance for ECLs on the following items:

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

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. We measure credit losses as the present value of all expected cash shortfalls, which is the difference between the cash flows due to us in accordance with the contract and the cash flows that we expect to receive.

We discount the expected cash shortfalls using the following discount rates where the effect of discounting is material.

- fixed-rate financial assets and trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof;
- variable-rate financial assets: current effective interest rate;
- finance lease receivables: discount rate used in the measurement of the finance lease receivable;
- credit commitments: current risk-free rate adjusted for risks specific to the cash flows

The maximum period we consider when estimating ECLs is the maximum contractual period over which we are exposed to credit risk.

In measuring ECLs, we take 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.

We measure ECLs on one of the following bases.

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

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

For finance lease receivables and other financial instruments (including credit commitments issued), we recognize 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, we compare the default risks on the reporting date with that assessed at the date of initial recognition. In making this reassessment, we consider that a default event occurs when (1) the borrower is unlikely to pay us its credit obligations in full without recourse, or (2) the financial asset is 90 days past due. We consider both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, we consider the following information 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 us.

For credit commitments, the date of initial recognition for the purpose of assessing ECLs is the date we become a party to the irrevocable commitment. In assessing whether there has been a significant increase in credit risk since initial recognition of a loan commitment, we consider 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, we group the financial instruments based on shared credit risk characteristics, such as past due status and credit risk ratings.

We re-measure ECLs at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. We recognize any change in the ECL amount as an impairment gain or loss in profit or loss. We recognize 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

We calculate interest income 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 amortized cost, which equals to the gross carrying amount less allowance for impairment losses of the financial asset.

At each reporting date, we assess 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.

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;

- likelihood that the borrower will enter into bankruptcy or other financial reorganization emerges;

- 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.

DESCRIPTION OF MAJOR COMPONENTS OF OUR CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	For the year ended December 31,			For the six months ended June 30,	
	2016	2017	2018	2018	2019
	(RMB in thousands)			*(unaudited)*	
Revenue	318,046	358,581	412,783	180,914	250,051
Other net income	10,631	9,606	16,331	4,582	13,779
Interest expense	(146,890)	(155,134)	(168,012)	(75,894)	(105,606)
Operating expense	(47,341)	(56,820)	(74,854)	(33,136)	(43,607)
Impairment losses charged	(24,073)	(25,969)	(27,364)	(3,292)	(15,549)
Profit before taxation	**110,373**	**130,264**	**158,884**	**73,174**	**99,068**
Income tax expense	(27,750)	(32,829)	(39,888)	(18,334)	(24,855)
Profit for the year/period	**82,623**	**97,435**	**118,996**	**54,840**	**74,213**
Attributable to:					
Equity holders of the Company	82,623	97,435	118,996	54,840	74,213
Profit for the year/period	**82,623**	**97,435**	**118,996**	**54,840**	**74,213**

Revenue

Our revenue primarily consists of interest income and advisory fee income. Interest income arises out of finance leases where we are the lessor, which included direct leases and sale-and-leasebacks. Advisory fee income represents our revenue from advisory services to finance leasing customers, including policy advisory and management and business consulting. The following table sets forth the breakdown of revenue from interest income and advisory fee for the years or periods indicated, both in absolute amount and as a percentage of total revenue.

	For the year ended December 31,						For the six months ended June 30,			
	2016		2017		2018		2018		2019	
	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage
	(RMB in thousands, except for percentages)						*(unaudited)*			
Interest income	253,496	79.7	283,771	79.1	340,571	82.5	155,054	85.7	204,628	81.8
Advisory fee income	64,550	20.3	74,810	20.9	72,212	17.5	25,860	14.3	45,423	18.2
Total revenue	318,046	100.0	358,581	100.0	412,783	100.0	180,914	100.0	250,051	100.0

A significant portion of our revenue was generated from the northern region of China. The following table sets forth the breakdown of revenue by major geographical areas, both in absolute amount and as a percentage of total revenue.

	For the year ended December 31,						For the six months ended June 30,			
	2016		2017		2018		2018		2019	
	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage
	(RMB in thousands, except for percentages of revenue)									
Northern[(1)]	256,691	80.7	246,918	68.9	273,397	66.2	125,321	69.3	152,769	61.1
Eastern[(2)]	21,671	6.8	42,772	11.9	63,313	15.3	27,800	15.4	43,528	17.4
Central[(3)]	24,665	7.8	39,854	11.1	37,846	9.2	17,061	9.4	21,196	8.5
Southern[(4)]	424	0.1	3,939	1.1	9,799	2.4	2,373	1.3	10,713	4.3
Northwestern[(5)]	6,978	2.2	11,260	3.1	10,536	2.6	3,139	1.7	11,236	4.5
Southwestern[(6)]	4,043	1.3	6,208	1.7	6,666	1.6	1,888	1.0	4,435	1.8
Northeastern[(7)]	3,574	1.1	7,630	2.2	11,226	2.7	3,332	1.9	6,174	2.4
Total	318,046	100.0	358,581	100.0	412,783	100.0	180,914	100.0	250,051	100.0

(1) Northern region includes Beijing, Hebei, Inner Mongolia, Shanxi and Tianjin.

(2) Eastern region includes Anhui, Fujian, Jiangsu, Jiangxi, Shandong, Shanghai and Zhejiang.

(3) Central region includes Henan, Hubei and Hunan.

(4) Southern region includes Guangdong, Guangxi and Hainan.

(5) Northwestern region includes Gansu, Shaanxi and Xinjiang.

(6) Southwestern region includes Guizhou, Sichuan, Yunnan and Chongqing.

(7) Northeastern region includes Heilongjiang, Jilin and Liaoning.

The following table sets forth a breakdown of our revenue generated from the Beijing-Tianjin-Hebei Integrated Area, Guangdong-Hong Kong-Macau Greater Bay Area and Yangtze River Delta in the years or periods indicated, both in absolute amount and as a percentage of total revenue.

	For the year ended December 31,						For the six months ended June 30,			
	2016		2017		2018		2018		2019	
	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage
	(RMB in thousands, except for percentages of revenue)									
Beijing-Tianjin-Hebei Integrated Area	256,140	80.5	244,654	68.2	262,716	63.7	122,055	67.4	147,512	59.0
Guangdong-Hong Kong-Macau Greater Bay Area	407	0.1	3,651	1.0	9,672	2.3	2,271	1.3	10,709	4.3
Yangtze River Delta	6,293	2.0	19,342	5.4	40,103	9.7	16,451	9.1	24,477	9.8
Other regions	55,206	17.4	90,934	25.4	100,292	24.3	40,137	22.2	67,353	26.9
Total	318,046	100.0	358,581	100.0	412,783	100.0	180,914	100.0	250,051	100.0

Our lessees are mainly technology and new economy companies, some of which are publicly listed on the National Equities Exchange and Quotations of China or a major stock exchange in China or overseas. The following table sets forth the breakdown of revenue by lessee types, both in absolute amount and as a percentage of total revenue.

	For the year ended December 31,						For the six months ended June 30,			
	2016		2017		2018		2018		2019	
	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage
	(RMB in thousands, except for percentages of revenue)									
Public company lessees[(1)]	91,415	28.7	89,626	25.0	83,607	20.3	36,437	20.1	43,113	17.2
Non-public company lessees	226,631	71.3	268,955	75.0	329,176	79.7	144,477	79.9	206,938	82.8
Total	318,046	100.0	358,581	100.0	412,783	100.0	180,914	100.0	250,051	100.0

(1) Public company lessees include lessees that are public companies, and do not include lessees held by public companies. Public companies refer to companies whose shares, to the best knowledge of our Directors, were publicly listed on the National Equities Exchange and Quotations of China or a major stock exchange in China or overseas as of the Latest Practicable Date.

Interest income

Our interest income represents interest we earn on the lease agreements we entered into with our customers. The following table sets forth the interest income provided by direct lease and sale-and-leaseback, both in absolute amount and as a percentage of total interest income.

	For the year ended December 31,						For the six months ended June 30,			
	2016		2017		2018		2018		2019	
	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage
	(RMB in thousands, except for percentages)									
Sale-and-leaseback	199,640	78.8	207,055	73.0	250,775	73.6	109,174	70.4	158,730	77.6
Direct lease	53,856	21.2	76,716	27.0	89,796	26.4	45,880	29.6	45,898	22.4
Interest income	253,496	100.0	283,771	100.0	340,571	100.0	155,054	100.0	204,628	100.0

The following table sets forth the contribution by industry to our interest income for the years or periods indicated, both in absolute amount and as a percentage of total interest income.

	For the year ended December 31,						For the six months ended June 30,			
	2016		2017		2018		2018		2019	
	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage
	(RMB in thousands, except for percentages)									
Big data	44,844	17.7	42,806	15.1	50,070	14.7	21,665	14.0	34,917	17.1
Eco-solutions	88,463	34.9	86,083	30.3	90,829	26.7	38,387	24.8	48,401	23.7
Life sciences & healthcare	47,179	18.6	52,794	18.6	69,325	20.4	30,338	19.6	47,202	23.0
Intelligent manufacturing	36,408	14.4	51,569	18.2	69,290	20.3	34,587	22.3	42,418	20.7
Internet-based products & services	18,886	7.5	35,575	12.5	45,209	13.3	22,417	14.5	25,549	12.5
Others	17,716	6.9	14,944	5.3	15,848	4.6	7,660	4.8	6,141	3.0
Interest income	253,496	100.0	283,771	100.0	340,571	100.0	155,054	100.0	204,628	100.0

Our interest income is primarily affected by the amount of lease principal initiated during the year or period. For leases with terms longer than one year, we typically generate more interest income during the first year due to the larger unpaid principal based on which we calculate interest income. The following table sets forth the amount of lease principal initiated for the years or periods indicated.

	For the year ended December 31,			For the six months ended June 30,	
	2016	2017	2018	2018	2019
	(RMB in thousands)				
Big data	383,109	354,038	735,221	151,318	196,513
Eco-solutions	763,230	582,558	894,433	412,776	399,117
Life sciences & healthcare	498,155	572,159	745,920	283,176	493,702
Intelligent manufacturing	570,586	681,244	721,898	302,452	429,046
Internet-based products & services	450,696	535,533	462,861	232,252	264,625
Others	86,890	98,400	93,100	74,001	34,400
Total	2,752,666	2,823,932	3,653,433	1,455,975	1,817,403

We believe that the changes in comprehensive yield during the Track Record Period also affected our interest income from each industry. Comprehensive yield is calculated by dividing the sum of interest income by the average balances of our finance lease receivables. Average balances of finance lease receivables are calculated as the average of the yearly ending balances of finance lease receivables (before deduction of allowances for impairment loss) during a certain year or period. The following table sets forth the amount of average balance of finance lease receivable and our comprehensive yield by industry for the years or periods and as of the dates indicated.

	For the year ended/As of December 31,						For the six months ended/As of June 30,			
	2016		2017		2018		2018		2019	
	Amount[(2)]	Comprehensive yield	Amount[(2)]	Comprehensive yield	Amount[(2)]	Comprehensive yield	Amount[(2)]	Comprehensive yield[(1)]	Amount[(2)]	Comprehensive yield[(1)]
	(RMB in thousands, except for percentages)									
Big data	708,121	6.3%	660,804	6.5%	808,093	6.2%	607,128	7.1%	998,266	7.0%
Eco-solutions	1,154,372	7.7%	1,324,144	6.5%	1,365,323	6.7%	1,310,539	5.9%	1,467,587	6.6%
Life sciences & healthcare	748,680	6.3%	772,782	6.8%	943,781	7.3%	847,831	7.2%	1,134,095	8.3%
Intelligent manufacturing	528,924	6.9%	788,555	6.5%	1,043,609	6.6%	961,523	7.2%	1,222,361	6.9%
Internet-based products & services	338,367	5.6%	585,212	6.1%	662,557	6.8%	668,989	6.7%	662,715	7.7%
Others	215,817	8.2%	202,775	7.4%	170,939	9.3%	189,266	8.1%	150,196	8.2%
Total	3,694,281	7.0%	4,334,272	6.5%	4,994,302	6.8%	4,585,276	6.8%	5,635,220	7.3%

(1) In calculating comprehensive yields for the six months ended June 30, 2018 and 2019, we annualized our interest income by multiplying the interest income in the six months ended June 30, 2018 and 2019, respectively, by two.

(2) Average finance lease receivables is 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. In contrast, interest-income yield is calculated by dividing interest income by the monthly average balance of the interest-earning assets.

During the Track Record Period, we are of the view that changes in our comprehensive yield were primarily driven by (1) change in market demands, (2) customer background and credit record, (3) value of leased assets and collaterals, if any, (4) credit quality of the guarantors, if any, (5) use of proceeds by the lessees, and (6) financing costs.

Advisory fee income

Our advisory fee income relates to the advisory services we provide to our customers, which primarily include policy advisory and management and business consulting. The following table sets forth a breakdown of our advisory fee income by the types of services we offer, both in absolute amount and as a percentage of total advisory fee income.

	For the year ended December 31,						For the six months ended June 30,			
	2016		2017		2018		2018		2019	
	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage
	(RMB in thousands, except for percentages)									
Management and business consulting fee income	20,403	31.6	21,415	28.6	27,860	38.6	8,417	32.5	8,585	18.9
Policy advisory fee income	44,147	68.4	53,395	71.4	44,352	61.4	17,443	67.5	36,838	81.1
Total advisory fee income	64,550	100.0	74,810	100.0	72,212	100.0	25,860	100.0	45,423	100.0

Other Net Income

Other net income primarily includes the government grant we received from the relevant authorities and interests from our bank deposits. In 2016, 2017, 2018 and the six months ended June 30, 2018 and 2019, our other net income was RMB10.6 million, RMB9.6 million, RMB16.3 million, RMB4.6 million and RMB13.8 million, respectively.

We receive government grants primarily from the various branches of the Beijing municipal government. These government grants were provided to support small- to medium-sized finance lease companies to reward those who offer finance lease solutions to support the innovative culture in the finance lease industry. The amount of such grants is typically determined by the amount of funds we released to our customers in a particular year or period.

Interest Expense

Interest expense represents (1) imputed interest expense on deposits from lessees, and (2) interests that are due to our funding sources in connection with the funds we received to support our business operations and expansions. During the Track Record Period, our primary funding sources include (1) commercial banks, (2) asset-backed securities, and (3) entrusted loans from our Controlling Shareholders and their subsidiaries. The following table sets forth the breakdown of our interest expense by funding sources for the years or periods indicated, both in absolute amount and as a percentage of total interest expense not including imputed interest expense on interest-free guaranteed deposits from lessees.

	For the year ended December 31,						For the six months ended June 30,			
	2016		2017		2018		2018		2019	
	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage
	(RMB in thousands, except for percentages of revenue)									
Commercial banks	46,905	37.9	42,265	33.5	59,694	43.7	22,886	37.4	39,507	45.2
Asset-backed securities	20,174	16.3	14,213	11.3	7,617	5.6	1,181	1.9	10,151	11.7
Entrusted loans	54,887	44.3	69,822	55.2	69,173	50.7	37,064	60.7	37,676	43.1
Others	1,860	1.5	–	0.0	–	0.0	–	0.0	–	0.0
Interest expense[(1)]	123,826	100.0	126,300	100.0	136,484	100.0	61,131	100.0	87,334	100.0

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

(2) "Others" refer to our financing from another finance lease company which is an Independent Third Party through the transfer of our rights to receive payments from the finance lease receivable, and we did not enter into similar financing arrangements thereafter.

In 2016, 2017, 2018 and the six months ended June 30, 2018 and 2019. The amount of interest expense arising out of borrowings from related parties was RMB54.9 million, RMB69.8 million, RMB69.2 million, RMB37.1 million and RMB37.7 million, respectively.

Operating Expense

Our operating expenses primarily relate to (1) staff cost, which include salaries and benefits expenses to our employees, (2) service expenses, which include service fees paid in relation to our advisory services and service fees in relations to commercial banks and ABSs, (3) rental expense, (4) depreciation and amortization, and (5) professional service expense, which include expenses paid to third-party professional services such as auditors, consultants and legal counsel. The following table sets for the breakdown of our operating expenses for the years or periods indicated, both in absolute amount and as a percentage of total operating expense.

	For the year ended December 31,						For the six months ended June 30,			
	2016		2017		2018		2018		2019	
	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage
	(RMB in thousands, except for percentages)									
Staff cost	29,383	62.1	38,268	67.3	49,169	65.7	22,322	67.4	31,272	71.7
Rental expense	5,605	11.8	5,533	9.7	9,477	12.7	5,724	17.3	979	2.2
Service expense	3,743	7.9	4,489	7.9	5,644	7.5	2,186	6.6	2,892	6.6
Depreciation and amortization	1,720	3.6	753	1.3	764	1.0	340	1.0	5,040	11.6
Professional service expense	457	1.0	677	1.2	3,312	4.4	347	1.0	458	1.1
Others	6,433	13.6	7,100	12.6	6,488	8.7	2,217	6.7	2,966	6.8
Total	47,341	100.0	56,820	100.0	74,854	100.0	33,136	100.0	43,607	100.0

Impairment Losses Charged

Our impairment losses charged primarily relate to our finance lease receivables and credit commitments. The following table sets forth a breakdown of our impairment losses charged in the years or periods indicated.

	For the year ended December 31,			For the six months ended June 30,	
	2016	2017	2018	2018	2019
	(RMB in thousands)				
Finance lease receivables					
Big data	(1,097)	(24,418)	(9,989)	(6,122)	(7,306)
Eco-solutions	(7,835)	(3,918)	(19,652)	(9,120)	(4,172)
Life sciences & healthcare	(376)	(148)	(1,383)	934	(198)
Intelligent manufacturing	(1,887)	(1,499)	(2,606)	1,515	(6,145)
Internet-based products & services	(11,749)	4,134	5,387	7,987	1,178
Others	(920)	566	1,207	1,339	102
Subtotal	(23,864)	(25,283)	(27,036)	(3,467)	(16,541)
Credit commitments	(209)	(686)	(328)	(175)	992
Impairment losses charged	**(24,073)**	**(25,969)**	**(27,364)**	**(3,292)**	**(15,549)**

Our impairment losses charged for finance lease receivables stayed relative stable over the Track Record Period. We believe the following reasons contributed to the significant fluctuations in impairment losses in relations to finance lease receivables by industry during the Track Record Period.

- *Big data.* Our impairment losses charged for finance lease receivables for customers in the big data industry increased from RMB1.1 million in 2016 to RMB24.4 million in 2017, then decreased to RMB10.0 million in 2018. In the six months ended June 30, 2019, we recorded impairment losses of RMB7.3 million. The significant increase in 2017 was primarily because (1) a customer providing intelligent simulation products and services for automotive sector was heavily impacted by reform in driving test which took place in the fourth quarter of 2016, and (2) a customer providing third-party internet data center services experienced intensified market competitions and management difficulties, and defaulted in lease payments.

- *Eco-solutions.* Our impairment losses charged for finance lease receivables for customers in the eco-solutions industry decreased from RMB7.8 million in 2016 to RMB3.9 million in 2017, then increased to RMB19.7 million in 2018. In the six months ended June 30, 2019, we recorded impairment losses of RMB4.2 million. The significant increase of our impairment losses in 2018 was mainly due to changes in subsidy policies in the eco-solutions industry, specifically photovoltaic industry, by which one of our customers was adversely impacted.

- *Internet-based products & services.* Our impairment loss for finance lease receivables for customers in internet-based products & services industry was RMB11.7 million in 2016, which was primarily because a customer who operated a waterpark experienced financial difficulties due to aggressive investing activities in equipment. Afterwards, due to our efforts in post-lease management activities, we strengthened monitoring measures and managed to partially recover lease payments, which led to charge-backs of impairment losses.

Changes in allowance for finance lease receivables

We adjust our allowance for impairment losses of finance lease receivables based on fluctuations in the credit risks to which we are exposed. Impairment losses primarily reflect changes in allowance for impairment losses of finance lease receivables and other receivables during a particular year or period. We recognize subsequent recoveries of an asset that was previously written off as a reversal of impairment in profit or loss in the period in which the recovery occurs. For detailed descriptions of our allowance for impairment losses of finance lease receivables, see "—Significant Accounting Policies, Judgments and Estimates—Financial instruments" and note 16(a) to the Accountants' Report included in Appendix I to this prospectus.

The following table sets forth a summary of allowance for impairment losses of finance lease receivables as of the dates indicated.

	As of December 31,			As of June 30,
	2016	2017	2018	2019
	(RMB in thousands, except for percentages)			
Finance lease receivables before allowances for impairment losses	4,165,583	4,502,958	5,485,644	5,784,795
Allowances for impairment losses of finance lease receivables	(56,531)	(81,814)	(108,850)	(125,391)
Carrying amount of finance lease receivables	4,109,052	4,421,144	5,376,794	5,659,404
Ratio of allowances for impairment losses to finance lease receivables	1.4%	1.8%	2.0%	2.2%

We increased our allowances for impairment losses to finance lease receivables as a percentage of total finance lease receivables from 1.4% as of December 31, 2016 to 2.2% as of June 30, 2019 to reflect the changes in the quality of finance lease receivables during the Track Record Period. Changes in asset quality as demonstrated by changes in allowances for impairment losses as a percentage of total finance lease receivables were market-dependent in nature, primarily because (1) ratio of allowance for impairment loss to finance lease receivable from big data industry increased from 0.6% as of December 31, 2016 to 4.6% as of December 31, 2017 and remained relatively stable at the level since then, (2) ratio of allowance for impairment losses to finance lease receivable from eco-solutions industry increased from 2.2% as of December 31, 2017 to 3.2% of December 31, 2018, then further increased to 3.5% as of June 30, 2019.

Profit Before Taxation

As a result of the foregoing, our profit before taxation was RMB110.4 million, RMB130.3 million, RMB158.9 million, RMB73.2 million and RMB99.1 million in 2016, 2017, 2018 and the six months ended June 30, 2018 and 2019, respectively.

Income Tax Expense

We are primarily subject to the PRC enterprise income tax rate of 25%. Our income tax expense was RMB27.8 million, RMB32.8 million, RMB39.9 million, RMB18.3 million and RMB24.9 million in 2016, 2017, 2018 and the six months ended June 30, 2018 and 2019, respectively. Our effective tax rate was 25.1%, 25.2%, 25.1%, 25.1% and 25.1% in 2016, 2017, 2018 and the six months ended June 30, 2018 and 2019, respectively. The following table sets forth a reconciliation between our enterprise income tax provisions and our income tax expense for the years or periods indicated.

	For the year ended December 31,			For the six months ended June 30,	
	2016	2017	2018	2018	2019
	(RMB in thousands)				
				(unaudited)	
Current tax					
PRC enterprise income tax provision for the year/period	32,758	39,264	45,376	20,151	24,136
Deferred income tax					
(Origination)/reversal of temporary differences	(5,023)	(6,555)	(5,451)	(1,817)	719
Under/(over)-provision in respect of prior year	15	120	(37)	–	–
	27,750	32,829	39,888	18,334	24,855

Profit For the Year or Period

As a result of the foregoing, our profit for the year or period was RMB82.6 million, RMB97.4 million, RMB119.0 million, RMB54.8 million and RMB74.2 million in 2016, 2017, 2018 and the six months ended June 30, 2018 and 2019, respectively.

Net Interest Margin and Net Interest Spread

The following table sets forth our net interest margin and relevant figures for the years or period indicated:

	For the year ended December 31,			For the six months ended June 30,
	2016	2017	2018	2019
	(RMB in thousands, except for percentages)			
Interest income	253,496	283,771	340,571	204,628
Interest expenses	(146,890)	(155,134)	(168,012)	(105,606)
Net interest income	106,606	128,637	172,559	99,022
Average balance of interest-earning assets(1)	3,660,864	4,113,201	4,760,629	5,710,717
Average balance of interest-bearing liabilities(2)	3,093,196	3,278,304	3,512,716	4,297,255
Interest income yield(3)	6.9%	6.9%	7.2%	7.2%
Interest expense yield(4)	4.7%	4.7%	4.8%	4.9%
Net interest spread(5)	2.2%	2.2%	2.4%	2.3%
Net interest margin(6)	2.9%	3.1%	3.6%	3.5%

(1) Interest-earning assets primarily consist of finance lease receivables. Average balances are calculated based on the average of the monthly ending balances during the period.

(2) Interest-bearing liabilities primarily consist of borrowings. Average balances are calculated based on the average of the monthly ending balances during the period.

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

(4) Calculated by dividing annualized interest expenses by the average balance of interest-bearing liabilities.

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

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

Our net interest margin increased from 2.9% in 2016 to 3.6% in 2018, primarily due to increase in our net interest income from RMB106.6 million in 2016 to RMB172.6 million in 2018, partially offset by the increase in average balance of interest-earning assets from RMB3,660.9 million in 2016 to RMB4,760.6 million in 2018. Our net interest margin remained relatively stable in the six months ended June 30, 2019 on an annualized basis.

Our interest margin, calculating by dividing our interest expenses by interest income, was 57.9%, 54.7%, 49.3% and 51.6% in 2016, 2017, 2018 and the six months ended June 30, 2019, respectively. The decrease of interest margin from 2016 to 2018 was primarily driven by our decrease in the amount of borrowings in 2017. In 2017, we increased our registered capital and therefore incurred less borrowings, leading to a decrease amount of interest expense relative to our interest income in 2017 and the ensuing 2018.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Six Months ended June 30, 2018 Compared to Six Months ended June 30, 2019

Revenue

Our revenue increased by 38.2% from RMB180.9 million in the six months ended June 30, 2018 to RMB250.1 million in the six months ended June 30, 2019.

Interest income

Our interest income increased by 32.0% from RMB155.1 million in the six months ended June 30, 2018 to RMB204.6 million in the six months ended June 30, 2019, primarily due to the expansion of our business as reflected by the average amount of finance lease receivable. Our monthly average balance of finance lease receivable increased from RMB4.4 billion in the six months ended June 30, 2018 to RMB5.7 billion in the six months ended June 30, 2019.

Advisory fee income

Our advisory fee income increased by 75.6% from RMB25.9 million in the six months ended June 30, 2018 to RMB45.4 million in the six months ended June 30, 2019. This increase was primarily due to the increase in the number of customers we served in line with our business expansion.

Interest expense

Our interest expense, not including imputed interest expense on interest-free guaranteed deposits from lessees and interest expense on lease liabilities, increased by 42.9% from RMB61.1 million in the six months ended June 30, 2018 to RMB87.3 million in the six months ended June 30, 2019, primarily due to the increase in the average balance of borrowing. The monthly average borrowing was RMB3.1 billion in the six months ended June 30, 2018, which increased to RMB4.3 billion in the six months ended June 30, 2019.

Operating expense

Our operating expense increased by 31.6% from RMB33.1 million in the six months ended June 30, 2018 to RMB43.6 million in the six months ended June 30, 2019, primarily due to (1) increase in the average number of employees from 88 in the six months ended June 30, 2018 to 106 in the six months ended June 30, 2019, and (2) increase in the average amount of compensation we paid our employees.

Impairment losses charged

Our impairment losses charged increased significantly from RMB3.3 million in the six months ended June 30, 2018 to RMB15.5 million in the six months ended June 30, 2019, primarily due to increase in finance lease receivable. Our allowance for impairment losses as a percentage of net amount of finance lease receivable increased from 1.8% as of June 30, 2018 to 2.2% as of June 30, 2019, primarily due to changes in the quality of finance lease receivables during the same period.

Income tax expense

Our income tax expense was RMB18.3 million and RMB24.9 million in the six months ended June 30, 2018 and 2019, respectively, primarily due to increase in profit before taxation from RMB73.2 million in the six months ended June 30, 2018 to RMB99.1 million in the six months ended June 30, 2019.

Profit for the period

As a result of the foregoing, our profit for the period increased by 35.3% from RMB54.8 million in the six months ended June 30, 2018 to RMB74.2 million in the six months ended June 30, 2019.

Year ended December 31, 2018 Compared to Year ended December 31, 2017

Revenue

Our revenue increased by 15.1% from RMB358.6 million in 2017 to RMB412.8 million in 2018, primarily due to an RMB56.8 million increase in interest income, which was partially offset by an RMB2.6 million decrease in advisory fee income.

Interest income

Our interest income increased by 20.0% from RMB283.8 million in 2017 to RMB340.6 million in 2018, primarily due to (1) increase in business volume as reflected by the average amount of finance lease receivable from RMB4.1 billion in 2017 to RMB4.8 billion in 2018, and (2) increase in the interest rate we charge our customers as reflected by the increase in interest income yield from 6.9% in 2017 to 7.2% in 2018.

Advisory fee income

Our advisory fee income remained relatively stable at RMB74.8 million and RMB72.2 million in 2017 and 2018, respectively.

Other net income

Our other net income increased by 70.0% from RMB9.6 million in 2017 to RMB16.3 million in 2018 primarily due to increase in the amount of government grant we received in 2018.

Interest expense

Our interest expense increased by 8.3% from RMB155.1 million in 2017 to RMB168.0 million in 2018. The increase was primarily due to increase in the average balance of borrowing from RMB3.3 billion in 2017 to RMB3.5 billion in 2018.

Operating expense

Our operating expense increased by 31.7% from RMB56.8 million in 2017 to RMB74.9 million in 2018, primarily due to (1) increase in the average number of employees from 82 in 2017 to 93 in 2018, (2) an increase in the average amount of compensation we paid our employees, and (3) increase in rental expenses.

Impairment losses charged

Our impairment losses charged increased by 5.4% from RMB26.0 million in 2017 to RMB27.4 million in 2018, primarily due to increase in finance lease receivable. Our allowance for impairment losses as a percentage of net finance lease receivables increased from 1.8% in 2017 to 2.0% in 2018, primarily due to changes in the quality of finance lease receivables.

Income tax expense

Our income tax expense increased by 21.5% from RMB32.8 million in 2017 to RMB39.9 million in 2018, in line with the 22.0% increase in our profit before taxation from RMB130.3 million in 2017 to RMB158.9 million in 2018.

Profit for the year

As a result of the foregoing, our profit for the year increased by 22.1% from RMB97.4 million in 2017 to RMB119.0 million in 2018.

Year Ended December 31, 2017 Compared to Year Ended December 31, 2016

Revenue

Our revenue increased by 12.7% from RMB318.0 million in 2016 to RMB358.6 million in 2017, primarily due to an RMB30.3 million increase in interest income and an RMB10.3 million increase in advisory fee income.

Interest income

Our interest income increased by 11.9% from RMB253.5 million in 2016 to RMB283.8 million in 2017, primarily due to the 12.4% increase in the average balance of finance lease receivables from RMB3.7 billion in 2016 to RMB4.1 billion in 2017.

Advisory fee income

Our advisory fee income increased by 15.9% from RMB64.6 million in 2016 to RMB74.8 million in 2017, primarily due to increase in the number of customers we served.

Interest expense

Our interest expense increased by 5.6% from RMB146.9 million in 2016 to RMB155.1 million in 2017, primarily due to increase in the average balance of borrowings from RMB3.1 billion in 2016 to RMB3.3 billion in 2017.

Operating expense

Our operating expense increased by 20.0% from RMB47.3 million in 2016 to RMB56.8 million in 2017, primarily due to (1) increase in the average number of employees from 74 in 2016 to 82 in 2017, and (2) an increase in the average amount of compensation we paid our employees.

Impairment losses charged

Our impairment losses charged increased by 7.9% from RMB24.1 million in 2016 to RMB26.0 million in 2017, which is in line with the 7.6% increase in finance lease receivables from RMB4.1 billion as of December 31, 2016 to RMB4.4 billion as of December 31, 2017.

Income tax expense

Our income tax expense increased by 18.3% from RMB27.8 million in 2016 to RMB32.8 million in 2017, primarily due to the 18.0% increase in our profit before taxation from RMB110.4 million in 2016 to RMB130.3 million in 2017.

Profit for the year

As a result of the foregoing, our profit for the year increased by 17.9% from RMB82.6 million in 2016 to RMB97.4 million in 2017.

DISCUSSION OF CERTAIN ITEMS IN CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The following table sets forth our summary consolidated statements of financial position as of the dates indicated.

	As of December 31,			As of June 30,
	2016	2017	2018	2019
	(RMB in thousands)			
Non-current assets				
Property and equipment	557	523	703	17,881
Intangible assets	2,468	2,207	3,450	2,923
Finance lease receivables	1,972,367	2,093,432	2,635,559	2,589,860
Financial assets at fair value through other comprehensive income	3,501	7,975	9,374	9,454
Other assets	256	143	57	27
Deferred tax assets	25,657	31,094	36,195	35,456
Total non-current assets	2,004,806	2,135,374	2,685,338	2,655,601
Current assets				
Finance lease receivables	2,136,685	2,327,712	2,741,235	3,069,544
Other assets	164,599	198,529	208,525	136,929
Financial assets at fair value through profit or loss	80,000	–	–	–
Pledged and restricted deposits	–	11,920	27,238	2,940
Cash and cash equivalents	233,115	326,299	306,620	383,643
Total current assets	2,614,399	2,864,460	3,283,618	3,593,056
Total assets	4,619,205	4,999,834	5,968,956	6,248,657
Non-current liabilities				
Borrowings	1,562,808	1,247,754	1,056,629	992,769
Trade and other liabilities	554,907	580,119	698,788	733,208
Total non-current liabilities	2,117,715	1,827,873	1,755,417	1,725,977
Current liabilities				
Borrowings	1,480,472	1,364,511	2,263,118	2,607,609
Income tax payable	7,248	19,266	12,397	11,471
Trade and other liabilities	381,845	585,468	650,263	576,566
Total current liabilities	1,869,565	1,969,245	2,925,778	3,195,646
Capital and reserves				
Paid-in capital	500,000	1,000,000	1,000,000	1,000,000
Reserves	131,925	202,716	287,761	327,034
Total equity	631,925	1,202,716	1,287,761	1,327,034

Assets

Finance lease receivables

Finance lease receivable is our primary revenue-generating asset, based on which we derive interest income from our customers. We provide for allowance for impairment losses based on our assessment of our customers' repayment. See "—Significant Accounting Policies, Judgments and Estimates—Financial instruments." The following table sets forth the breakdown of our finance lease receivables as of the dates indicated.

	As of December 31,			As of June 30,
	2016	**2017**	**2018**	**2019**
	(RMB in thousands)			
Gross amount of finance lease receivables	4,531,844	4,884,787	5,959,289	6,259,311
Less: Unearned finance income	(366,261)	(381,829)	(473,645)	(474,516)
Net amount of finance lease receivables	4,165,583	4,502,958	5,485,644	5,784,795
Less: Allowances for impairment losses	(56,531)	(81,814)	(108,850)	(125,391)
Carrying amount of finance lease receivables	4,109,052	4,421,144	5,376,794	5,659,404

Our finance lease receivables were RMB4,109.1 million, RMB4,421.1 million, RMB5,376.8 million and RMB5,659.4 million as of December 31, 2016, 2017 and 2018 and June 30, 2019, respectively. Our finance lease receivables balance grew continuously during the Track Record Period, primarily due to expansion in the scale of our finance lease business as demonstrated by (1) increase in our interest income, which was RMB253.5 million, RMB283.8 million, RMB340.6 million, RMB155.1 million and RMB204.6 million in 2016, 2017, 2018 and the six months ended June 30, 2018 and 2019, respectively, and (2) increase in the amount of total lease principals initiated, which were RMB2.8 billion, RMB2.8 billion, RMB3.7 billion, RMB1.5 billion and RMB1.8 billion in 2016, 2017, 2018 and the six months ended June 30, 2018 and 2019, respectively.

The following table sets forth the breakdown of our finance lease receivables by current and non-current classification as of the dates indicated.

	As of December 31,			As of June 30,
	2016	2017	2018	2019
	(RMB in thousands)			
Non-current assets	1,972,367	2,093,432	2,635,559	2,589,860
Current assets	2,136,685	2,327,712	2,741,235	3,069,544
Finance lease receivables	4,109,052	4,421,144	5,376,794	5,659,404

The following table sets forth the breakdown of our finance lease receivables by customers' geographical regions.

	As of December 31,			As of June 30,
	2016	2017	2018	2019
	(RMB in thousands)			
Northern(1)	3,128,977	2,918,859	3,507,935	3,411,505
Eastern(2)	388,406	643,481	797,236	988,328
Central(3)	320,352	550,795	467,656	508,956
Southern(4)	5,389	43,466	216,446	284,751
Northwestern(5)	85,656	116,659	196,403	256,320
Southwestern(6)	98,597	59,988	60,514	102,631
Northeastern(7)	81,675	87,896	130,604	106,913
Total	4,109,052	4,421,144	5,376,794	5,659,404

(1) Northern region includes Beijing, Hebei, Inner Mongolia, Shanxi and Tianjin.

(2) Eastern region includes Anhui, Fujian, Jiangsu, Jiangxi, Shandong, Shanghai and Zhejiang.

(3) Central region includes Henan, Hubei and Hunan.

(4) Southern region includes Guangdong, Guangxi and Hainan.

(5) Northwestern region includes Gansu, Shaanxi and Xinjiang.

(6) Southwestern region includes Guizhou, Sichuan, Yunnan and Chongqing.

(7) Northeastern region includes Heilongjiang, Jilin and Liaoning.

The following table sets forth the breakdown of our gross amount of finance lease receivables from the Beijing-Tianjin-Hebei Integrated Area, Guangdong-Hong Kong-Macau Greater Bay Area and Yangtze River Delta as of the dates indicated.

	As of December 31,			As of June 30,
	2016	2017	2018	2019
	(RMB in thousands)			
Beijing-Tianjin-Hebei Integrated Area	3,424,278	3,151,986	3,713,007	3,591,703
Guangdong-Hong Kong-Macau Greater Bay Area	4,283	46,881	241,446	318,587
Yangtze River Delta	95,227	363,485	563,382	610,860
Other regions	1,008,056	1,322,435	1,441,454	1,738,161
Total	4,531,844	4,884,787	5,959,289	6,259,311

The following table sets forth the breakdown of the carrying amount of our finance lease receivables by lessee types.

	As of December 31,			As of June 30,
	2016	2017	2018	2019
	(RMB in thousands)			
Public company lessee[(1)]	1,199,107	957,350	1,152,502	988,110
Non-public company lessee	2,909,945	3,463,794	4,224,292	4,671,294
Total	4,109,052	4,421,144	5,376,794	5,659,404

(1) Public company lessees include lessees that are public companies, and do not include lessees held by public companies. Public companies refer to companies whose shares, to the best knowledge of our Directors, were publicly listed on the National Equities Exchange and Quotations of China or a major stock exchange in China or overseas as of the Latest Practicable Date.

The amount of net finance lease receivables that were pledged as collaterals for our loan borrowings was approximately RMB2,244.8 million, RMB2,493.8 million, RMB1,958.9 million and RMB2,281.6 million as of December 31, 2016, 2017 and 2018 and June 30, 2019, respectively. The amount of net finance lease receivables that were pledged as collaterals for our asset-backed securities was approximately RMB584.9 million, RMB174.3 million, RMB547.2 million and RMB389.6 million in 2016, 2017, 2018 and the six months ended June 30, 2019. The amount available for utilization in obtaining additional borrowings or issuing bonds as of September 30, 2019 is RMB2,561.6 million.

Credit quality and policy on providing for allowance for impairment losses on finance lease receivables

We closely monitor the credit quality of our finance lease receivables that are subject to impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, we will measure the allowance for impairment loss based on our lifetime ECLs rather than the 12-month ECLs. ECLs are measured as an allowance equal to 12-month ECLs which are losses that are expected to result from possible default events within the 12 months after the reporting date, or lifetime ECLs which 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 details of classification of our finance lease receivables, see "Risk Management—Credit Risk Management—Post-lease Management—Lease receivable classification." IFRS 9 does not define what constitutes a significant in credit risk. In assessing whether the credit risk of an asset has significantly increased, we take into account both qualitative and quantitative reasonable and supportable forward-looking information. For more information about our assessment of credit risk, see note 2 to the Accountants' Report included in Appendix I to this prospectus.

	As of December 31,			As of June 30,
	2016	**2017**	**2018**	**2019**
	(RMB in thousands)			
12-month ECL balance	3,942,461	4,270,098	5,087,000	5,375,896
Lifetime ECL not credit-impaired balance				
– Not overdue	90,150	–	10,083	13,656
– Less than one month (inclusive)	9,667	–	63,306	46,022
– One to three months (inclusive)	10,554	–	21,612	5,442
Lifetime ECL credit-impaired	112,751	232,860	303,643	343,779
Net amount of finance lease receivables	4,165,583	4,502,958	5,485,644	5,784,795
Less: Allowance for impairment loss	(56,531)	(81,814)	(108,850)	(125,391)
Total	4,109,052	4,421,144	5,376,794	5,659,404

At each reporting date, we assess the recoverability of finance lease receivables. A finance lease receivable is impaired when one or more events that have a detrimental impact on the expected future cash flows of the financial asset have occurred. We estimate the future cash flows from a finance lease receivable mainly based on (1) the overall credit market environment, (2) our customers' financial credibility and their historical payment records, (3) usage, remaining useful life, and fair value of the leased assets, (4) availability of alternative repayment sources, and (5) the overall industry performance of our customers.

As of June 30, 2019, our finance lease receivables of approximately RMB343.8 million was categorized into credit-impaired. The allowance for impairment losses for this category of finance lease receivables was measured at an amount equal to the lifetime ECL based on the significant increase in credit risks primarily due to objective factors observed by our management, including, among others, (1) significant financial difficulties of the lessees; (2) breach of agreement terms by the lessees, such as a default or delinquency on interest or principal payments; (3) probable or actual bankruptcy or other financial reorganizations of the lessees, and (4) significant changes in technology, market conditions, economic or legal environment which would have an adverse impact on lessees' ability to meet their obligations to us.

As of the Latest Practicable Date, approximately RMB307.8 million of our lifetime ECL credit-impaired balance of the finance lease receivables outstanding as of June 30, 2019 remained outstanding. Our Directors are of the view that our provision for impairment made against the lifetime ECL credit-impaired balance is sufficient. Based on the recoverability we assessed on a case by case basis, we consider factors including, among others, (1) the present value of lessees' future cash inflow from their operations and credit enhancement measures, such as liens on lessees' revenue, trade receivables and/or shares, which provide assurance for us to receive lease payments out of the lessees' future cash inflows, and (2) the present value of recoverable amount of the underlying leased assets and additional collaterals to which we are entitled.

Save for the impairment provision made above, our Directors are of the view that no further provision is needed on the following basis: (1) our Company did not experience any impediment in collecting finance lease receivables from most of our customers during the Track Record Period, (2) most of our customers have demonstrated good historical repayment records, (3) we continuously assess our customers' ongoing financial condition and credibility and are not aware of any material adverse events that may affect their financial condition and credibility subsequent to the Track Record Period and up to the Latest Practicable Date, and (4) we have put strong effort in chasing payments for overdue balance and assessed the repayment schedules of customers by staying in communications with them, and we were not aware of circumstances which might cause further impairment to these finance lease receivables.

The following table sets forth a breakdown of our gross finance lease receivable by customer industries as of the dates indicated.

	As of December 31,			As of June 30,
	2016	2017	2018	2019
	(RMB in thousands)			
Big data	758,549	678,125	1,085,335	1,078,023
Eco-solutions	1,513,200	1,384,712	1,604,533	1,622,846
Life sciences & healthcare	778,869	898,939	1,156,613	1,308,392
Intelligent manufacturing	704,794	1,007,377	1,241,422	1,385,950
Internet-based products & services	538,628	715,563	702,231	708,242
Others	237,804	200,071	169,155	155,858
Total	**4,531,844**	**4,884,787**	**5,959,289**	**6,259,311**

Maturity profile of finance lease receivables

The following table sets forth a maturity analysis of our finance lease receivables before deducting allowance for impairment losses as of the dates indicated.

	As of December 31,			As of June 30,
	2016	2017	2018	2019
	(RMB in thousands)			
Not later than one year	2,180,959	2,395,355	2,838,774	3,179,864
Later than one year and not later than five years	1,984,624	2,107,419	2,646,870	2,604,931
Later than five years	–	184	–	–
Total	**4,165,583**	**4,502,958**	**5,485,644**	**5,784,795**

Our net finance lease receivables due within a time period represent net finance lease receivables which we will be entitled to receive during that period. The majority of our net finance lease receivables as of December 31, 2016, 2017 and 2018 and June 30, 2019 was due not later than one year.

As of the Latest Practicable Date, approximately RMB1,615.8 million, or 27.9% of our net finance lease receivables outstanding as of June 30, 2019 had been settled.

The following table sets forth a breakdown of our finance lease receivable balance before deducting allowance for impairment losses under our lease receivable classifications. For more details on our lease receivable classifications, see "Risk Management—Credit Risk Management—Post-lease management—Lease receivable classification."

	As of December 31,						As of June 30,	
	2016		2017		2018		2019	
	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage
	(RMB in thousands, except for percentages)							
Normal	3,948,456	94.8	4,275,482	95.0	5,089,037	92.8	5,409,764	93.5
Special mention	188,547	4.5	158,162	3.5	324,638	5.9	294,353	5.1
Sub-standard	881	0.0	–	–	–	–	14,670	0.3
Doubtful	27,699	0.7	69,314	1.5	71,969	1.3	66,008	1.1
Loss	–	–	–	–	–	–	–	–
Total	4,165,583	100.0	4,502,958	100.0	5,485,644	100.0	5,784,795	100.0

During the Track Record Period, we did not write off any finance lease receivables, primarily because none of our finance lease receivables attained loss classification, and finance lease receivables under the doubtful classification was partially recovered.

Deferred tax assets

Our deferred tax assets relate to temporary differences between our net profit for financial reporting purposes and taxable income for tax purposes. During the Track Record Period, such differences primarily arose out of (1) re-evaluation of financial assets whose changes in values are recognized in other comprehensive income, (2) unearned finance income with EIT paid in prior years, and (3) allowances for impairment losses in relation to our finance lease receivables.

Our deferred tax assets increased from RMB25.7 million as of December 31, 2016 to RMB31.1 million as of December 31, 2017, primarily due to the RMB6.6 million charged to profit and loss in relations to allowances for impairment losses. Our deferred tax assets further increased to RMB36.2 million as of December 31, 2018, primarily due to the RMB5.5 million charged to profit and loss in relations to allowances for impairment losses. Our deferred tax remained relatively steady at RMB35.5 million as of June 30, 2019.

Financial assets at fair value through profit or loss

Our current financial assets at fair value were RMB80.0 million as of December 31, 2016, which related to our purchase of certain wealth management products. The wealth management products we purchased were low-risk principal-guaranteed, and are redeemable on demand. The annual interest rates depend on the holding period. We disposed of such financial assets in 2017 and did not purchase other similar products since. Our current financial assets at fair value balance as of December 31, 2017 and 2018 and June 30, 2019 was nil, nil and nil, respectively.

Valuation of financial assets at fair value through profit or loss

Our investment in wealth management products is categorized within level 3 of fair value measurement. In relation to the valuation of the wealth management products, our Directors has considered, among others, the following factors: (1) the terms of the wealth management products subscription agreements, (2) the available market information of similar wealth management products, and (3) the risk-adjusted discount rates of the wealth management products. Based on the above considerations, our Directors are of the view that the valuation of our Group's level 3 financial instruments are fair and reasonable and the financial statements of our Group are properly prepared.

Details of the fair value measurement of our level 3 financial instruments, particularly the fair value hierarchy, the valuation techniques and key inputs, including significant unobservable inputs and the relationship of unobservable inputs to fair value of level 3 measurements are disclosed in note 24(d) to the Accountants' Report included in Appendix I to this prospectus issued by the Reporting Accountants in accordance with Hong Kong Standard on Investment Circular Reporting Engagement 200 "Accountants' Report on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants. The reporting accountants' opinion on the Historical Financial Information of the Group for the Track Record Period as a whole is set out on page I-2 of Appendix I to this prospectus.

In relations to the valuation analysis performed by our Directors, the Sole Sponsor has conducted relevant due diligence work, including but not limited to (1) discussing with management of the Company regarding the nature and background of its investment in the wealth management products, including the risk profiles, underlying financial assets, history and shareholding structures of the target companies and the reasons for making such investments, (2) reviewing the relevant subscription contracts; and (3) discussing with the Company and its reporting accountants about the methodology, assumptions and parameters for the valuation of the wealth management products. Having considered the work done by our Directors and the Company's reporting accountants and the relevant due diligence done as stated above, nothing has come to the Sole Sponsor attention that would cause the Sole Sponsor to question the valuation analysis performed by the Company on its level 3 financial instruments.

Financial assets at fair value through other comprehensive income

Our financial assets at fair value through other comprehensive income represent our strategic equity investments in a fund management company incorporated in China. We have not received any dividends during the Track Record Period in relations to this investment. As of December 31, 2016, 2017 and 2018 and June 30, 2019, our financial assets at fair value through other comprehensive income were RMB3.5 million, RMB8.0 million, RMB9.4 million and RMB9.5 million, respectively.

Other assets

Our other assets primarily represent deductible value-added tax. The following table sets forth a breakdown of other assets as of the dates indicated.

	As of December 31,			As of June 30,
	2016	**2017**	**2018**	**2019**
	(RMB in thousands)			
Non-current assets				
Other assets	256	143	57	27
Current assets				
Deductible value-added tax	163,515	169,521	148,266	116,411
Other receivables	908	1,601	636	1,059
Notes receivable	–	–	26,598	608
Advance payments	176	27,287	29,961	12,629
Prepaid listing expense	–	–	–	3,325
Due from related parties	–	120	3,064	2,897
Total	**164,855**	**198,672**	**208,582**	**136,956**

Under direct leases, we charge lessees output taxes as they make each periodic lease payment, and pay vendors of the leased assets input taxes. Deductible value-added tax refers to input tax we had paid after deducting output taxes that are deductible during the period which are allowed to be deducted pursuant to relevant tax laws. The amount of input taxes and output taxes are determined by the applicable value-added tax rate in effect during the period when the purchase from vendor and the periodic lease payments are made.

Our deductible value-added tax remained relatively stable from RMB163.5 million as of December 31, 2016 to RMB169.5 million as of December 31, 2017. In 2018, due to downward adjustment of value-added tax rate, our deductible value-added tax decreased to RMB148.3 million as of December 31, 2018 and further to RMB116.4 million as of June 30, 2019.

Property and equipment

Our property and equipment mainly include right-of-use assets and office equipment and computers for our employees. As of December 31, 2016, 2017, and 2018, and June 30, 2019, our property and equipment was RMB0.6 million, RMB0.5 million, RMB0.7 million and RMB17.9 million, respectively. The significant increase in property and equipment from RMB0.7 million as of December 31, 2018 to RMB17.9 million as of June 30, 2019 is primarily due to right-of-use assets as a result of our adoption of IFRS 16 in 2019.

Intangible assets

Our intangible assets mainly include internally developed software used in our business operations and risk management functions. Our intangible assets were RMB2.5 million, RMB2.2 million, RMB3.5 million and RMB2.9 million as of December 31, 2016, 2017 and 2018 and June 30, 2019, respectively. The increase in intangible assets from RMB2.2 million as of December 31, 2017 to RMB3.5 million as of December 31, 2018 was primarily due to our work on the development of our principal credit rating system which went live in early 2019.

Cash and cash equivalents

Our cash and cash equivalents primarily include our bank deposits. As of December 31, 2016, 2017 and 2018 and June 30, 2019, our cash and cash equivalents amounted to RMB233.1 million, RMB326.3 million, RMB306.6 million, and RMB383.6 million, respectively.

Treasury Management Policy

During the Track Record Period, we have implemented the following treasury management policies.

- We only invest in low-risk short-term highly liquid wealth management product with reasonable guaranteed return,
- We only invest when there is no short-term needs of cash by our operating activities and when our cash reserves is abundant,
- Our Board sets annual cap on the amount of wealth management products we are allowed to purchase, and
- We evaluate the risks related to the financial assets according to the risk assessment guidelines promulgated by the issuing licensed commercial banks.

Going forward, we plan to strictly implement our investment and treasury policy and, as part of our investment and treasury management, may continue to purchase wealth management products that meet our criteria where we believe prudent after the Listing.

Liabilities

Borrowings

During the Track Record Period, borrowings accounted for the largest portion of our total liabilities. As of December 31, 2016, 2017 and 2018 and June 30, 2019, our total borrowings amounted to RMB3,043.3 million, RMB2,612.3 million, RMB3,319.7 million and RMB3,600.4 million, respectively. See "—Indebtedness" for details of our borrowings.

Trade and other liabilities

Our trade payables primarily include guaranteed deposits from our customers, value-added tax to be collected in the following period, notes payable and accounts payable. The following table sets forth the components of our trade and other liabilities as of the dates indicated.

	As of December 31,			As of June 30,
	2016	**2017**	**2018**	**2019**
	(RMB in thousands)			
Current liabilities				
Guaranteed deposits from lessees	222,117	277,837	234,371	252,832
Value-added tax ("VAT") to be collected in the following period	87,621	116,134	108,440	101,333
VAT payable and other tax payable	517	1,542	353	641
Accounts payable	32,195	66,123	86,383	91,622
Notes payable	–	59,600	137,289	19,600
Accrued staff costs	8,269	11,240	14,063	14,022
Receipts in advance	–	21,351	38,271	12,060
Interest payable	21,972	21,915	25,982	37,804
Lease liabilities	–	–	–	9,540
Dividend payable	–	–	–	35,000
Other payables	9,154	9,726	5,111	2,112
Subtotal	**381,845**	**585,468**	**650,263**	**576,566**
Non-current liabilities				
Guaranteed deposits from lessees	399,517	422,311	538,996	587,511
VAT to be collected in the following period	107,814	103,365	94,212	71,305
Deferred revenue	47,223	53,404	64,213	66,601
Provision for credit commitments	353	1,039	1,367	375
Lease liabilities	–	–	–	7,416
Subtotal	**554,907**	**580,119**	**698,788**	**733,208**
Total	936,752	1,165,587	1,349,051	1,309,774

Guaranteed deposits from lessees

We typically require our lessee customers to pay a deposit at the beginning of the lease term, which is returned to the customer at the end of lease term or credited towards their last lease payment unless our customers were in default. As of December 31, 2016, 2017 and 2018 and June 30, 2019, our total guaranteed deposits from lessees were RMB621.6 million, RMB700.1 million, RMB773.4 million and RMB840.3 million, respectively, primarily due to increase in the amount of lease principal during the Track Record Period.

Value-added tax to be collected in the following period

Under our direct leases, we pay value-added tax in connection with each principal payments made by our customers. At the beginning of the lease terms of our direct leases, we calculate and record the total amount of value-added tax we are required to pay in connection with the principal payments by our customers throughout the lease terms. Our total value-added tax to be collected in the following period was RMB195.4 million, RMB219.5 million, RMB202.7 million and RMB172.6 million as of December 31, 2016, 2017 and 2018 and June 30, 2019. The increase from December 31, 2016 to December 31, 2017 was primarily due to the increase in lease principal initiated in 2016 and 2017 from RMB2,752.7 million to RMB2,823.9 million. The decrease from December 31, 2017 to June 30, 2019 was primarily due to the downward adjustment of the applicable value-added tax rate from 17% to 16% in 2018 and the further decrease to 13% in the six months ended June 30, 2019.

Notes payable

We have entered into bank acceptance bill arrangements with certain commercial banks under which the banks release funds to vendors that supply leased assets to our finance lease customers. Notes payable represents the amount of funds banks released to vendors for which we have not repaid pursuant to our arrangements with the banks. Our notes payable was nil, RMB59.6 million, RMB137.3 million and RMB19.6 million as of December 31, 2016, 2017 and 2018 and June 30, 2019. The fluctuations in our notes payable during the Track Record Period is primarily due to the number of direct lease transactions that adopted bank acceptance bill under the lease agreements. As of the Latest Practicable Date, all of our notes payable outstanding as of June 30, 2019 remained outstanding and will be settled within one year.

Accounts payable

Under direct leases, we purchase the leased assets from vendors before the vendors deliver the leased assets to our customers. Accounts payable represents our obligations to pay for leased assets to vendors. As of the Latest Practicable Date, approximately RMB24.7 million of our accounts payable outstanding as of June 30, 2019 had been settled.

Income tax payable

Our income tax payable increased from RMB7.2 million as of December 31, 2016 to RMB19.3 million as of December 31, 2017, primarily due to increase in our profit before taxation from RMB110.4 million in 2016 to RMB130.3 million in 2017. Our income tax payable decreased to RMB12.4 million as of December 31, 2018, primarily due to our payment of income tax of RMB52.2 million in 2018 compared to RMB27.4 million in 2017. Our income tax payable decreased from RMB12.4 million as of December 31, 2018 to RMB11.5 million as of June 30, 2019. The following table sets forth our provision for income tax for the year or period and income tax paid as of/during the year or period ended on the dates indicated.

	Year ended December 31,			Six months ended June 30,
	2016	**2017**	**2018**	**2019**
	(RMB in thousands)			
At the beginning of the year/period	10,730	7,248	19,266	12,397
Provision for income tax for the year/period	32,773	39,384	45,339	24,136
Income tax paid	(36,255)	(27,366)	(52,208)	(25,062)
At the end of the year/period	7,248	19,266	12,397	11,471

LIQUIDITY AND CAPITAL RESOURCES

Cash Flow

The following table sets forth selected cash flow data from our consolidated statements of cash flows for the period indicated.

	For the year ended December 31,			For the six months ended June 30,	
	2016	**2017**	**2018**	**2018**	**2019**
	(RMB in thousands)			*(unaudited)*	
Operating profit before changes in working capital	282,907	310,561	355,009	152,687	220,906
Net cash (used in)/generated from operating activities	(444,094)	113,512	(542,000)	(126,786)	(108,972)
Net cash (used in)/generated from investing activities	(84,898)	81,155	(1,435)	12	(1,357)
Net cash generated from/(used in) financing activities	557,265	(101,483)	523,756	(37,367)	187,352

	For the year ended December 31,			For the six months ended June 30,	
	2016	2017	2018	2018	2019
	(RMB in thousands)			*(unaudited)*	
Net increase/(decrease) in cash and cash equivalents	28,273	93,184	(19,679)	(164,141)	77,023
Cash and cash equivalents at beginning of year/period	204,842	233,115	326,299	326,299	306,620
Cash and cash equivalents at end of year/period	**233,115**	**326,299**	**306,620**	**162,158**	**383,643**

Operating activities

Net cash used in operating activities in the six months ended June 30, 2019 was RMB109.0 million. The difference between net cash used in operating activities and our profit before taxation of RMB99.1 million was RMB208.0 million, which primarily consists of (1) adjustments of certain non-operating cash item including interest expense of RMB105.6 million and non-cash item of impairment losses of RMB15.5 million which positively affected operating cash flow, (2) changes in working capital which negatively affected operating cash flow, including an RMB299.2 million increase in finance lease receivables and an RMB111.6 million decrease in trade and other liabilities, (3) changes in working capital which positively affected operating cash flow, including an RMB81.7 million decrease in trade and other receivables and an RMB24.3 million decrease in pledged and restricted deposits, and (4) an RMB25.1 million payment of PRC income taxes.

Net cash used in operating activities in 2018 was RMB542.0 million. The difference between net cash used in operating activities and our profit before taxation of RMB158.9 million was RMB700.9 million, which primarily consists of (1) adjustments of certain non-operating cash item including interest expense of RMB168.0 million and non-cash item of impairment losses charged of RMB27.4 million, both of which positively affected operating cash flow, (2) changes in working capital which negatively affected operating cash flow, including an RMB982.7 million increase in finance lease receivables, an RMB15.3 million increase in pledged and restricted deposits, and an RMB10.4 million increase in trade and other receivables, (3) changes in working capital which positively affected operating cash flow, including an RMB163.6 million increase in trade and other liabilities, and (4) an RMB52.2 million payment of PRC income taxes.

Net cash generated from operating activities in 2017 was RMB113.5 million. The difference between net cash generated from operating activities and our profit before taxation of RMB130.3 million was RMB16.8 million, which primarily consists of (1) adjustments of certain non-operating cash item including interest expense of RMB155.1 million and non-cash item of impairment losses charged of RMB26.0 million, both of which positively affected operating cash flow, (2) changes in working capital which negatively affected operating cash flow, including an RMB337.4 million increase in finance lease receivables, an RMB32.7 million increase in trade and other receivables, and an RMB11.9 million increase in pledged and restricted deposits, (3) changes in working capital which positively affected operating cash flow, including an RMB212.3 million increase in trade and other liabilities, and (4) an RMB27.4 million payment of PRC income taxes.

Net cash used in operating activities in 2016 was RMB444.1 million. The difference between net cash used in operating activities and our profit before taxation of RMB110.4 million was RMB554.5 million, which primarily consists of (1) adjustments of certain non-operating cash item including interest expense of RMB146.9 million and non-cash item of impairment losses charged of RMB24.1 million, both of which positively affected operating cash flow, (2) changes in working capital which negatively affected operating cash flow, including an RMB1,062.2 million increase in finance lease receivables, and an RMB76.8 million increase in trade and other receivables, (3) changes in working capital which positively affected operating cash flow, including an RMB448.3 million increase in trade and other liabilities, and (4) an RMB36.3 million payment of PRC income taxes. Our cash inflow from operating activities primarily consist of collection of lease payments and advisory service fees from lessees, and our cash outflow used in operating activities primarily consist of release of funds to our customers. In 2016, 2018 and the six months ended June 30, 2019, we had net cash outflow of RMB444.1 million, RMB542.0 million and RMB109.0 million, respectively, primarily because the increase in the amount of lease principals we released arising out of the lease agreements during those years or periods outpaced the increase in lessees' finance lease repayments arising out of lease agreements we had entered into in prior and current years or periods. In 2017, we had net cash inflow of RMB113.5 million, which was in line with our profit before taxation of RMB130.3 million.

While cash flow from operating activities serves as a critical indicator of our liquidity position, we believe our consolidated statements of profit or loss presents a more accurate picture of our overall results of operations and financial condition.

Investing activities

Net cash used in investing activities in the six months ended June 30, 2019 was RMB1.4 million, primarily due to (1) acquisition of investments of RMB314.3 million, and (2) payment for purchase of certain electronic devices, as well as intangible assets in connection with our expenditure on developing our risk management tools, of RMB1.4 million, partially offset by the RMB314.4 million proceeds from disposal and redemption of investments. The investments were related to the entrusted loans from ZGC Group.

Net cash used in investing activities in 2018 was RMB1.4 million. In 2018, we made an RMB317.4 million payments and received an RMB317.1 million proceed in connection with the deposit services offered by ZGC Group. Since the establishment of a fund clearing center by ZGC Group in December 2017, we have used ZGC Group as a fund management platform to help centralize our cash management and increase the efficiency of capital utilization. From time to time, we would temporarily deposit the funds obtained from ZGC Group in the fund clearing center before they are fully drawn-down and utilized by our Group. As of June 30, 2019, we had an outstanding balance of deposit funds with ZGC Group of approximately RMB141,000. All these deposit transactions and deposit arrangement between us and ZGC Group will be terminated on or before the Listing.

Net cash generated from investing activities in 2017 was RMB81.2 million, primarily due to the RMB435.6 million proceeds from disposal and redemption of our wealth management products, partially offset by the RMB354.0 million payments on acquisition of wealth management products.

Net cash used in investing activities in 2016 was RMB84.9 million, primarily due to (1) the RMB166.0 million payments on acquisition of our wealth management products, and (2) the RMB2.0 million payment for intangible assets, partially offset by the RMB83.1 million proceeds from disposal and redemption of wealth management products.

Financing activities

Net cash generated from financing activities in the six months ended June 30, 2019 was RMB187.4 million, primarily due to proceeds from borrowings of RMB1,290.6 million, partially offset by (1) repayment of our borrowings of RMB1,009.9 million, (2) interest payment of RMB81.5 million.

Net cash generated from financing activities in 2018 was RMB523.8 million, primarily due to the RMB2,378.6 million proceeds from borrowings from our funding sources, partially offset by (1) an RMB1,670.4 million repayment of borrowings to our funding sources, (2) an RMB144.3 million interest payment, and (3) the RMB35.0 million dividends paid to our equity holders.

Net cash used in financing activities in 2017 was RMB101.5 million, primarily due to (1) the RMB1,789.9 million repayment of borrowings to our funding sources, (2) an RMB138.3 million interest payment, and (3) RMB30.0 million dividends paid to our equity holders, partially offset by (1) the RMB1,357.9 million proceeds from borrowings from our funding sources, and (2) the RMB500.0 million proceeds from capital injection as a result of the increase in our registered capital from RMB500.0 million to RMB1,000.0 million.

Net cash generated from financing activities in 2016 was RMB557.3 million, primarily due to the RMB2,294.6 million proceeds from borrowings from our funding sources, partially offset by (1) an RMB1,568.1 million repayment of borrowings to our funding sources, (2) an RMB135.1 million interest payment, and (3) the RMB30.0 million dividends paid to our equity holders.

We regularly monitor our liquidity requirements to ensure we maintain sufficient cash reserve to meet our liquidity requirements in the short and long term. The following table sets forth the remaining contractual maturities as of the dates indicated of our financial assets and financial liabilities based on contractual undiscounted cash flows and the earliest date we may be required to pay.

	Indefinite/ overdue/on demand	Within one month	One to three months	Three months to one year	One to five years	Over five years	Total
	(RMB in thousands)						
December 31, 2016							
Total financial assets	413,621	145,501	497,126	1,660,117	2,133,003	–	4,849,368
Total financial liabilities	1,300	95,513	256,354	1,770,077	1,857,123	105,505	4,085,872
Net exposure	412,321	49,988	240,772	(109,960)	275,880	(105,505)	763,496
December 31, 2017							
Total financial assets	479,660	157,448	568,133	1,767,338	2,259,904	219	5,232,702
Total financial liabilities	19,371	23,373	221,159	1,897,992	1,583,757	–	3,745,652
Net exposure	460,289	134,075	346,974	(130,654)	676,147	219	1,487,050
December 31, 2018							
Total financial assets	561,881	180,999	603,377	2,159,618	2,826,944	–	6,332,819
Total financial liabilities	26,353	243,508	207,223	2,817,193	1,313,308	3,347	4,610,932
Net exposure	535,528	(62,509)	396,154	(657,575)	1,513,636	(3,347)	1,721,887
June 30, 2019							
Total financial assets	688,697	228,614	650,333	2,317,090	2,775,178	–	6,659,912
Total financial liabilities	39,760	377,656	675,034	2,024,487	1,641,739	–	4,758,676
Net exposure	648,937	(149,042)	(24,701)	292,603	1,133,439	–	1,901,236

For more details, see "Risk Management—Liquidity Risk Management—Management of Liquidity Mismatch" and note 24 to the Accountants' Report included in Appendix I to this prospectus.

Working Capital

The following table sets forth our current assets and current liabilities as of the dates indicated.

	As of December 31,			As of June 30,	As of October 31,
	2016	2017	2018	2019	2019
	(RMB in thousands)				*(unaudited)*
Current assets					
Finance lease receivables	2,136,685	2,327,712	2,741,235	3,069,544	3,199,607
Other assets	164,599	198,529	208,525	136,929	149,304
Pledged and restricted deposits	–	11,920	27,238	2,940	5,840
Cash and cash equivalents	233,115	326,299	306,620	383,643	381,753
Financial assets at fair value through profit or loss	80,000	–	–	–	–
Total current assets	2,614,399	2,864,460	3,283,618	3,593,056	3,736,504

	As of December 31,			As of June 30,	As of October 31,
	2016	2017	2018	2019	2019
	(RMB in thousands)				
					(unaudited)
Current liabilities					
Borrowings	1,480,472	1,364,511	2,263,118	2,607,609	2,152,502
Income tax payable	7,248	19,266	12,397	11,471	4,500
Trade and other liabilities	381,845	585,468	650,263	576,566	590,346
Total current liabilities	1,869,565	1,969,245	2,925,778	3,195,646	2,747,348
Net current assets	744,834	895,215	357,840	397,410	989,156

During the Track Record Period, our current assets mainly represented finance lease receivables generated from finance leasing business. Our current liabilities primarily consisted of borrowings from commercial banks, holders of our asset-backed securities and our Controlling Shareholders and their subsidiaries in the form of entrusted loans.

Our net current assets increased from RMB744.8 million as of December 31, 2016 to RMB895.2 million as of December 31, 2017, primarily due to (1) an RMB191.0 million increase in finance lease receivables, (2) an RMB116.0 million decrease in borrowings, (3) an RMB93.2 million increase in cash and cash equivalents, and (4) an RMB33.9 million increase in other assets, partially offset by (1) an RMB80.0 million decrease in financial assets at fair value through profit or loss, (2) an RMB203.6 million increase in trade and other liabilities, and (3) an RMB12.0 million increase in income tax payable.

Our net current assets decreased to RMB357.8 million as of December 31, 2018, primarily due to (1) an RMB898.6 million increase in borrowings, and (2) an RMB64.8 million increase in trade and other liabilities, partially offset by (1) an RMB413.5 million increase in finance lease receivables, and (2) an RMB10.0 million increase in other assets.

Our net current assets increased to RMB397.4 million as of June 30, 2019, primarily due to (1) an RMB328.3 million increase in finance lease receivables, (2) an RMB77.0 million increase in cash and cash equivalents, and (3) an RMB73.7 million decrease in trade and other liabilities, partially offset by (1) an RMB344.5 million increase in borrowings, and (2) an RMB71.6 million decrease in other assets.

Our net current assets increased from RMB397.4 million as of June 30, 2019 to RMB989.2 million as of October 31, 2019, primarily due to (1) an RMB130.1 million increase in finance lease receivables, and (2) an RMB455.1 million decrease in borrowings, partially offset by an RMB13.8 million increase in trade and other liabilities.

Working Capital Statement

Taking into consideration of the financial resources presently available to us, including the expected cash generated from our operations, the available facilities maintained with financial institutions, and the estimated net proceeds from the Global Offering, our Directors are of the opinion that we have sufficient working capital for our present working capital requirements for at least the next 12 months from the date of this prospectus.

CAPITAL EXPENDITURES

Our capital expenditures primarily relate to, among others, acquisition of intangible assets and office and electronic equipment. The following table sets forth our capital expenditures for years or period indicated.

	For the year ended 31 December,			For the six months ended June 30,
	2016	2017	2018	2019
	(RMB in thousands)			
Intangible assets	1,670	–	1,038	645
Property and equipment	85	285	124	804
Others	292	119	70	–
Total	2,047	404	1,232	1,449

In 2016, 2017, 2018 and the six months ended June 30, 2019, our capital expenditures amounted to RMB2.0 million, RMB0.4 million, RMB1.2 million and RMB1.4 million. We expect that our capital expenditures for the years ending December 31, 2019 and 2020 will amount to approximately RMB30.0 million in connection with the development of certain information technology systems related to our business operations and risk management. We plan to finance our future capital expenditures through cash flow generated from our business operations and from debt and equity financing transactions.

CONTRACTUAL COMMITMENTS

Capital Commitments

As of December 31, 2016, 2017 and 2018 and June 30, 2019, there were no significant capital commitments outstanding against us.

Credit Commitments

Our non-cancellable lease commitments are primarily finance leases that have been entered into but have not yet commenced. As of December 31, 2016, 2017 and 2018 and June 30, 2019, our non-cancellable lease commitments were RMB58.8 million, RMB143.3 million, RMB248.5 million and RMB58.0 million, respectively.

Operating Lease Commitments

As of December 31, 2016, 2017 and 2018, the future minimum lease payments under our non-cancellable operating leases are as follows.

	As of December 31,		
	2016	2017	2018
	(RMB in thousands)		
Within one year (inclusive)	2,546	1,166	8,308
After one year but within five years (inclusive)	170	94	16,243
Total	2,716	1,260	24,551

We are the lessee with respect to offices and cars held under leases which were previously classified as operating leases under IAS 17. We initially applied IFRS 16 using the modified retrospective approach. Under this approach, we adjusted the opening balances at January 1, 2019 to recognize lease liabilities relating to these leases. Since January 1, 2019, lease commitments are recognized as lease liabilities in the consolidated statements of financial position and statement of financial position.

The following table shows the remaining contractual maturities of our lease liabilities as of June 30, 2019 and on the date of transition to IFRS 16 on January 1, 2019.

	As of January 1, 2019[(1)]		As of June 30, 2019	
	Present value of the minimum lease payments	Total minimum lease payments	Present value of the minimum lease payments	Total minimum lease payments
	(RMB in thousands)			
Within one year	6,827	7,646	9,540	10,148
After one year but within two years	12,082	12,479	7,416	7,597
After two years but within five years	2,462	2,490	–	–
	21,371	22,615	16,956	17,745
Less: total future interest expenses		(1,244)		(789)
Present value of lease liabilities		21,371		16,956

(1) We initially applied IFRS 16 using the modified retrospective method and adjusted the opening balance on January 1, 2019 to recognize lease liabilities relating to leases which were previously classified as operating leases under IAS 17.

INDEBTEDNESS

Our indebtedness primarily arises out of (1) funds from commercial banks, (2) asset-backed securities, (3) entrusted loans from our Controlling Shareholders and their subsidiaries, and (4) lease liabilities. Our indebtedness as of December 31, 2016, 2017 and 2018, June 30, 2019 and October 31, 2019 were RMB3,043.3 million, RMB2,612.3 million, RMB3,319.7 million, RMB3,617.3 million and RMB3,782.4 million, respectively. The following table sets forth a breakdown of our indebtedness.

	As of December 31,			As of June 30,	As of October 31,
	2016	2017	2018	2019	2019
	(RMB in thousands)				
					(unaudited)
Bank loans					
– collateralized[1]	43,000	25,000	7,000	–	–
– pledged[2]	692,501	444,674	616,445	1,053,649	967,213
– unsecured	408,542	535,414	790,707	644,255	518,945
Borrowings from related parties[3]					
– pledged[2]	1,400,000	1,496,000	1,318,000	1,600,000	1,200,000
Asset-backed securities	499,237	111,177	587,595	302,474	1,073,894
Lease liabilities	–	–	–	16,956	22,361
Total	3,043,280	2,612,265	3,319,747	3,617,334	3,782,413

(1) As of December 31, 2016, 2017 and 2018, June 30 and October 31, 2019, loans amounting to RMB43.0 million, RMB25.0 million, RMB7.0 million, nil and nil were collateralized by financing leasing equipment, respectively.

(2) As of December 31, 2016, 2017 and 2018, June 30 and October 31, 2019, loans amounting to RMB2,092.5 million, RMB1,940.7 million, RMB1,934.4 million, RMB2,653.6 million and RMB2,167.2 million were pledged by finance lease receivables, respectively.

(3) Borrowings from related parties refer to entrusted loans from our Controlling Shareholders and their subsidiaries.

Fund from Commercial Banks

We receive funds from commercial banks in the form of credit loans and commercial note transactions. As of June 30, 2019 and since our inception, we had worked with more than 20 commercial banks in China from whom we had cumulatively obtained more than RMB5.0 billion through credit loans. As of December 31, 2016, 2017 and 2018, June 30, 2019 and October 31, 2019, the amount of funds from commercial banks was RMB1,144.0 million, RMB1,005.1 million, RMB1,414.2 million, RMB1,697.9 million and RMB1,486.2 million, respectively. As of December 31, 2016, 2017 and 2018, June 30, 2019 and October 31, 2019, the range of interest rates for outstanding bank borrowings was 4.1%-5.2%, 4.8%-5.2%, 4.8%-5.7%, 4.8%-5.7%, and 4.8%-5.7%, respectively. As of October 31, 2019, we had an aggregate of credit facilities of RMB6,845.0 million from independent third party commercial banks, approximately RMB4,823.8 million of which were unutilized.

Asset-backed Securities

As of June 30, 2019 and since our inception, we had launched the following asset-backed securities on August 26, 2015, August 18, 2016 and October 26, 2018 with amount raised of approximately RMB500.0 million, RMB519.0 million, and RMB589.0 million, respectively (not including asset-backed securities held by us).

- On October 26, 2018, we issued asset-backed securities with two tranches: (1) senior tranche Class A with principal amount of RMB489 million, coupon rate of 5.80% and an expected maturity date of January 21, 2020; senior tranche Class B with principal amount of RMB142 million, coupon rate of 6.70% and an expected maturity date of October 21, 2020, and (2) junior tranche with principal amount of RMB50 million and an expected maturity date of October 21, 2020. We hold senior tranche Class B asset-backed securities with amount of RMB42 million and all junior tranche asset-backed securities.

- On August 18, 2016, we issued asset-backed securities with two tranches: (1) senior tranche Class A1 with principal amount of RMB165 million, coupon rate of 3.40% and an expected maturity date of December 21, 2016; senior tranche Class A2 with principal amount of RMB208 million, coupon rate of 3.58% and an expected maturity date of December 21, 2017; senior tranche Class A3 with principal amount of RMB38 million, coupon rate of 3.60% and an expected maturity date of December 21, 2017; and senior tranche Class B with principal amount of RMB108 million, coupon rate of 3.98% and an expected maturity date of June 21, 2018, and (2) junior tranche with principal amount of RMB57 million and an expected maturity date of June 21, 2018. We hold all junior tranche asset-backed securities.

- On August 26, 2015, we issued asset-backed securities with two tranches: (1) senior tranche Class A1 with principal amount of RMB240 million, coupon rate of 5.00% and an expected maturity date of June 21, 2016; senior tranche Class A2 with principal amount of RMB158 million, coupon rate of 5.30% and an expected maturity date of June 21, 2017; and senior tranche Class B with principal amount of RMB102 million, coupon rate of 7.00% and an expected maturity date of June 21, 2018; and (2) junior tranche with principal amount of RMB53 million and an expected maturity date of June 21, 2018. We hold all junior tranche asset-backed securities.

The following table sets forth the details of our asset-backed securities as of June 30, 2019.

		Guangfahengjin— Asset-backed special program of Phase 1	Guangfahengjin— Asset-backed special program of Phase 2	Guangfahengjin— Asset-backed special program of Phase 3
Principal amount		RMB553 million	RMB576 million	RMB681 million
Coupon rate		5.00%~7.00% for senior bonds; not applicable for subordinated bonds	3.40%~3.98% for senior bonds; not applicable for subordinated bonds	5.80%~6.70% for senior bonds; not applicable for subordinated bonds
Maturity date		June 21, 2016 – June 21, 2018	December 21, 2016 – June 21, 2018	January 21, 2020 – October 21, 2020
Bond rating	Class A	AAA	AAA	AAA
	Class B	A+	AAA	AA
Rating agency		Brilliance Credit Rating	Brilliance Credit Rating	Brilliance Credit Rating
Interest commencement date		August 26, 2015	August 18, 2016	October 26, 2018
Offer price		RMB100 (at par)	RMB100 (at par)	RMB100 (at par)

On August 6, 2019, we issued Phase 4 asset-backed securities with two tranches: senior tranche Class A with principal amount of RMB760 million, coupon rate of 5.35% and an expected maturity date on August 5, 2022; senior tranche Class B with principal amount of RMB210 million, coupon rate of 4.70% and an expected maturity date on August 5, 2022; junior tranche with principal amount of RMB30 million and an expected maturity date on August 5, 2022. We hold all junior tranche asset-backed securities.

Funds from Our Controlling Shareholders and Their Subsidiaries

We receive funds from our Controlling Shareholders and their subsidiaries in the form of entrusted loans. As of December 31, 2016, 2017 and 2018, June 30, 2019 and October 31, 2019, the outstanding balance from our Controlling Shareholders and their subsidiaries was RMB1,400.0 million, RMB1,496.0 million, RMB1,318.0 million, RMB1,600.0 million and RMB1,200.0 million, respectively. The interest rate range was 4.4%-7.0%, 4.4%-7.0%, 4.4%-7.0%, 4.4%-7.0% and 4.4%-7.0% as of the same dates.

The following table sets forth the amount of borrowings payable as of the dates indicated.

	As of December 31,			As of June 30,	As of October 31,
	2016	2017	2018	2019	2019
	(RMB in thousands)				
Within one year	1,480,472	1,364,511	2,263,118	2,607,609	2,161,822
After one year but within two years	434,887	611,196	453,222	753,310	1,346,124
After two years but within five years	1,027,921	636,558	603,407	239,459	252,106
After five years	100,000	–	–	–	–
	3,043,280	2,612,265	3,319,747	3,600,378	3,760,052

Save as disclosed above, as of October 31, 2019, we did not have any outstanding mortgages, charges, debentures, other issued debt capital, bank overdrafts, loans, liabilities under acceptance or other similar indebtedness, any guarantees or other material contingent liabilities. During the Track Record Period, we did not have any material default on our indebtedness, and as of the Latest Practicable Date, all of our outstanding short-term and long-term asset-backed securities were not subject to any material restrictive covenants.

CONTINGENT LIABILITIES

As of the Latest Practicable Date, we did not have any material contingent liabilities, guarantees or any litigations or claims of material importance, pending or threatened against us that is likely to have a material and adverse effect on our business, financial condition and result of operations. Our Directors confirm that there has been no material change in our contingent liabilities since June 30, 2019 to the date of this prospectus.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any off-balance sheet transactions other than credit commitment mentioned in contractual commitments.

LISTING EXPENSES

The total estimated listing expenses (including underwriting commissions) in relation to the Global Offering (based on the midpoint of our indicative price range for the Global Offering and assuming that the Over-allotment Option is not exercised) are approximately RMB48.4 million. During the Track Record Period, we incurred actual listing expenses of RMB3.3 million in the six months ended June 30, 2019 which were recorded as prepaid listing expenses and will be charged against equity upon successful Listing under the relevant accounting guidelines for the period beginning July 1, 2019 and ending December 31, 2019. We expect to incur further listing expenses of RMB45.1 million, of which RMB5.9 million will be charged to our consolidated statements of profit or loss for the period beginning July 1, 2019 and ending December 31, 2019, and RMB39.2 million is expected to be charged against equity upon successful Listing under the relevant accounting guidelines for the period beginning July 1, 2019 and ending December 31, 2019.

RELATED PARTY TRANSACTIONS

See note 26 to the Accountants' Report included in Appendix I to this prospectus for details.

Our Directors are of the view that our related party transactions during the Track Record Period were conducted during the ordinary course of business at arm's length with reference to normal commercial terms.

KEY FINANCIAL RATIOS

The following table set forth our key financial ratios as of the dates or for the years or period indicated:

	As of/For the year ended December 31,			As of/For the six months ended June 30,
	2016	2017	2018	2019
		(%)		
Profitability				
Return on average equity[1]	13.6	10.6	9.6	11.4
Return on average assets[2]	2.1	2.0	2.2	2.4
Net interest spread[3]	2.2	2.2	2.4	2.3
Net interest margin[4]	2.9	3.1	3.6	3.5
Net profit margin[5]	26.0	27.2	28.8	29.7
Liquidity				
Liquidity ratio[6]	139.8	145.5	112.2	112.4
Risk asset to equity ratio[7]	694.1	387.6	437.6	441.7
Liability-to-asset ratio[8]	86.3	75.9	78.4	78.8

	As of/For the year ended December 31,			As of/For the six months ended June 30,
	2016	2017	2018	2019
		(%)		
Asset quality ratios				
NPA ratio(9)	0.7	1.5	1.3	1.4
Allowance coverage ratio for NPAs(10)	197.8	118.0	151.2	155.4
Ratio of allowance for impairment losses to net finance lease receivables(11)	1.4	1.8	2.0	2.2
Default rate(12)	1.9	3.9	4.0	4.3

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

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

(3) See "—Description of Major Components of Our Consolidated Statements of Profit or Loss—Net Interest Margin and Net Interest Spread" for detailed descriptions of the definition of net interest spread.

(4) See "—Description of Major Components of Our Consolidated Statements of Profit or Loss—Net Interest Margin and Net Interest Spread" for detailed descriptions of the definition of net interest margin.

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

(6) Calculated by dividing current assets by current liabilities as of the end of the year or period.

(7) 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.

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

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

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

(11) Calculated by dividing allowances for impairment losses of finance lease receivables by the amount of net finance lease receivables as of the end of the year or period.

(12) Calculated by dividing the amount of finance lease receivables where the payment of principal or interest is overdue for more than 90 days by the carrying amount of finance lease receivables as of the end of the year or period.

Return on Average Equity

Our return on average equity decreased from 13.6% in 2016 to 11.4% in the six months ended June 30, 2019, primarily due to the significant increase in our total equity from RMB631.9 million as of December 2016 to RMB1,327.0 million as of June 30, 2019.

Return on Average Assets

Our return on average assets remained steady at 2.1%, 2.0% and 2.2%. Our return on average assets increased to 2.4% in the six months ended June 30, 2019, primarily due to increase in annualized net profit from December 31, 2018 to June 30, 2019.

Net Interest Spread

Our net interest spread remained relatively stable at 2.2%, 2.2%, 2.4% and 2.3% in 2016, 2017, 2018 and the six months ended June 30, 2019.

Net Interest Margin

Our net interest margin increased from 2.9% in 2016 to 3.5% in the six months ended June 30, 2019, primarily due to the significant increase in net interest income from RMB106.6 million in 2016 to RMB198.0 million in the six months ended June 30, 2019 on an annualized basis.

Net Profit Margin

Our net profit margin increased from 26.0% in 2016 to 29.7% in the six months ended June 30, 2019, primarily due to the expansion of our business operations and our improved capabilities to control our costs and expenses at a reasonable level in proportion to our revenue, especially our funding costs.

Liquidity Ratio

Our liquidity ratio was 139.8%, 145.5%, 112.2% and 112.4% in 2016, 2017, 2018 and the six months ended June 30, 2019. The decrease in liquidity ratio from 2017 to 2018 was primarily due to the significant increase in our current liabilities from RMB1,969.2 million to RMB2,925.8 million as a result of increase in the current portion of our borrowings from RMB1,364.5 million to RMB2,263.1 million.

Risk Asset to Equity Ratio

Our risk asset to equity ratio decreased from 694.1% in 2016 to 387.6% in 2017, primarily due to the significant increase in our total equity from RMB631.9 million to RMB1,202.7 million in 2017. Our risk asset to equity ratio increased to 437.6% in 2018 primarily due to the significant increase in risk assets from RMB4,661.6 million as of December 31, 2017 to RMB5,635.1 million as of December 31, 2018, which is primarily driven by the significant increase in finance lease receivables from RMB4,421.1 million as of December 31, 2017 to RMB5,376.8 million as of December 31, 2018.

Liability-to-asset Ratio

Our liability-to-asset ratio decreased from 86.3% in 2016 to 75.9% in 2017, primarily due to the significant increase in our total equity from RMB631.9 million as of December 31, 2016 to RMB1,202.7 million as of December 31, 2017. Our liability-to-asset ratio remains relatively stable at 78.4% and 78.8% as of December 31, 2018 and June 30, 2019.

NPA Ratio and Allowance Coverage Ratio for NPAs

Our NPA ratio increased from 0.7% in 2016 to 1.5% in 2017, and our allowance coverage ratio for NPAs decreased from 197.8% to 118.0% during the same periods, primarily because two of our lessees were downgraded respectively from normal and special mention classifications in 2016 to the doubtful classification in 2017 as the respective lessees were not able to make timely payments. None of such finance lease receivables had been written off, nor were they reclassified into the loss category. Our NPA ratio remained at 1.3% and 1.4% in 2018 and the six months ended June 30, 2019, and our allowance coverage ratio for NPAs also remained steady at 151.2% and 155.4% during the same periods.

Ratio of Allowance for Impairment Losses to Net Finance Lease Receivables

Our ratio of allowance for impairment losses to net finance lease receivables was 1.4%, 1.8%, 2.0% and 2.2% as of December 31, 2016, 2017 and 2018 and June 30, 2019 respectively. The increase in our ratio of allowance for impairment losses to net finance lease receivables from 1.4% as of December 31, 2016 to 2.2% as of June 30, 2019 and the increase in default rate from 1.9% as of December 31, 2016 to 4.3% as of June 30, 2019 were mainly attributable to the changes in the quality of finance lease receivables during the Track Record Period. Such changes were market-dependent in nature, primarily driven by the fluctuations in China's overall macroeconomic conditions and changes in the environment of China's technology and new economy industries. For details, see "Financial Information—Description of Major Components of Our Consolidated Statements of Profit of Loss—Impairment Losses Charged—Changes in allowance for finance lease receivables."

Default Rate

Our default rate after taking into account the amendment of our finance lease agreement with our clients was 1.9 %, 3.9%, 4.0% and 4.3% as of December 31, 2016, 2017 and 2018 and June 30, 2019 respectively.

QUALITATIVE AND QUANTITATIVE DISCLOSURES ABOUT FINANCIAL RISKS

We have designed a set of risk management and control system to measure, monitor and manage financial risks arising in the ordinary course of business. See "Risk Management" and note 24 to the Accountants' Report included in Appendix I to this prospectus. The main financial risks arising from our business operations are credit risks, market risks, and liquidity risks. The following discussion of our major financial risk sand estimated amount of risk exposure generated by our risk management models are forward-looking statements. They are not, however, predictions of future events, and the actual results may differ significantly.

Credit Risk

We are exposed to concentrated credit risks. As of December 31, 2016, 2017 and 2018 and June 30, 2019, 3.0%, 3.4%, 2.6%, and 2.4% of our total net finance lease receivables was due from our largest customer, respectively, and 12.5%, 12.5%, 9.5% and 7.7% of our total net finance lease receivable was due from our five largest customers, respectively. The following table sets forth an analysis of our gross finance lease receivables by the industries we served as of the dates indicated, both in absolute amount and as a percentage of total gross finance lease receivables.

	As of December 31,						As of June 30,	
	2016		2017		2018		2019	
	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage
	(RMB in thousands, except for percentages)							
Big data	758,549	17%	678,125	14%	1,085,335	18%	1,078,023	17%
Eco-solutions	1,513,200	33%	1,384,712	28%	1,604,533	27%	1,622,846	26%
Life sciences & healthcare	778,869	17%	898,939	18%	1,156,613	19%	1,308,392	21%
Intelligent manufacturing	704,794	16%	1,007,377	21%	1,241,422	21%	1,385,950	22%
Internet-based products & services	538,628	12%	715,563	15%	702,231	12%	708,242	11%
Others	237,804	5%	200,071	4%	169,155	3%	155,858	3%
Total	4,531,844	100%	4,884,787	100%	5,959,289	100%	6,259,311	100%

For details on our risk management policies and procedures with respect to our credit risks, see "Risk Management—Credit Risk Management" and note 24 to the Accountants' Report included in Appendix I to this prospectus. For detailed breakdown of our finance lease receivable by geographical area of origination and by credit quality, see note 24 to the Accountants' Report included in Appendix I to this prospectus.

Interest Rate Risk

Interest-generating assets primarily include finance lease receivables arising out of our finance lease projects. Interest-bearing liabilities primarily include borrowings arising out of our external financings. Our interest rate risks arise from the mismatch between the maturity dates of our interest-generating assets and our interest-bearing liabilities. Our interest margin may increase due to the change of market interest rate, and may decrease or lead to loss due to their unpredictability.

We have adopted the following measures to manage our interest rate risks:

- optimizing the time difference between the maturity dates of interest-generating assets and interest-bearing liabilities and the contract repricing date by preparing periodic cash flow forecasts by our finance team in order to minimize the mismatch between our cash inflow and cash outflow and to reduce our accrued interest expenses charged for interest-bearing borrowings; and

- managing the difference between the pricing of interest-generating assets and interest-bearing liabilities and the benchmark interest rate of the PBOC.

Our sensitivity to interest rate risks is based on the assumption that the reasonable changes in the interest rate risks borne by the financial instruments at the balance sheet date during the following year shall remain constant throughout the year. The following table sets forth the impact of the structure of financial assets and financial liabilities at the balance sheet date on our 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 as of the dates indicated.

	As of December 31,			As of June 30,
	2016	2017	2018	2019
	(RMB in thousands)			
Retained profits				
+100 basis points	4,742	7,287	5,595	6,145
–100 basis points	(4,742)	(7,287)	(5,595)	(6,145)

Currency Risk

We primarily operate our business in China, and our transactions are primarily denominated in RMB, which is not freely convertible into foreign currencies. All foreign exchange transactions involving RMB must take place through the PBOC or other institutions authorized to buy and sell foreign exchange. The exchange rates adopted for the foreign exchange transactions are the rates of exchange quoted by the PBOC that are determined largely by supply and demand.

The Directors consider our exposure to foreign currency risk to be insignificant during the Track Record Period as we do not have any foreign currency transactions or hold any foreign currency balance.

Liquidity Risk

We regularly monitor our liquidity position to ensure we maintain sufficient cash reserves to meet our short-and long-term liquidity requirements. For details on our net exposure to liquidity risks during the Track Record Period, see note 24 to the Accountants' Report included in Appendix I to this prospectus.

For details on our policies and procedures to monitor and control our exposures to liquidity risks, see "Risk Management—Liquidity Risk Management."

DIVIDENDS

On November 30, 2016, our Board passed a resolution which proposed to declare and distribute cash dividends of RMB30.0 million for the year ended December 31, 2015. The declaration and distribution of these dividends were approved by our Shareholders' meetings on November 30, 2016. We have declared and distributed these dividends with our internal funds.

On September 1, 2017, our Board passed a resolution which proposed to declare and distribute cash dividends of RMB30.0 million for the year ended December 31, 2016. The declaration and distribution of these dividends were approved by our Shareholders' meeting on September 1, 2017. We have declared and distributed these dividends with our internal funds.

On June 29, 2018, our Board passed a resolution which proposed to declare and distribute cash dividends of RMB35.0 million for the year ended December 31, 2017. The declaration and distribution of these dividends were approved by our Shareholders' meeting on July 16, 2018. We have declared and distributed these dividends with our internal funds.

On June 5, 2019, our Board passed a resolution which proposed to declare and distribute cash dividends of RMB35.0 million for the year ended December 31, 2018. The declaration and distribution of these dividends were approved by our Shareholders' meeting on June 30, 2019. We have declared and distributed these dividends with our internal funds. As of the Latest Practicable Date, we do not have any declared but unpaid dividends.

According to our dividend policy adopted by our Shareholders on December 20, 2019, the Articles of Association and applicable laws and regulations, our profit distribution proposal is formulated by our Board, and upon approval by the Board and the Board of Supervisors, it is submitted to a Shareholders' general meeting for consideration where it must be passed by Shareholders representing more than half of the voting rights of the Shareholders who attend the general meeting. Our Board will declare dividends, if any, in RMB with respect to the H Shares on a per Share basis and will pay such dividends in Hong Kong dollars. In principle, we intend to distribute no less than 35% of our annual distributable profits as dividends. All of our Shareholders have equal rights to distributable profits, and our profits will be distributed on a pro-rata basis.

Our future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the discretion of our Board.

Both current and new Shareholders are entitled to our accumulated retained earnings prior to the Listing, subject to compliance with our Articles of Association and relevant regulatory requirements.

DISTRIBUTABLE RESERVES

As of June 30, 2019, we had retained profits of RMB233.1 million under IFRS as reserves available for distribution to our equity holders, part of which has been subsequently converted into capital reserve upon our reform into a joint stock company on August 16, 2019.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the date of this prospectus there has been no material adverse change in our financial, operational or trading position since June 30, 2019.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

We confirm that, as of the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rule 13.13 to 13.19 of the Listing Rules.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

Our unaudited pro forma adjusted net tangible assets of the Group has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the net tangible assets of the Group attributable to the equity holders of the Company had the Global Offering been completed as of June 30, 2019 or at any future date.

	Consolidated net tangible assets attributable to equity holders of the Company as of June 30, 2019[(1)]	Estimated net proceeds from the Global Offering[(2)]	Unaudited pro forma adjusted net tangible assets attributable to equity holders of the Company	Unaudited pro forma adjusted net tangible assets attributable to equity holders of the Company per Share[(3)]	Unaudited pro forma adjusted net tangible assets attributable to equity holders of the Company per Share[(4)]
		(RMB in thousands)		*(RMB)*	*(HK$ equivalent)*
Based on an Offer Price of HK$1.52 per Share	1,324,111	398,169	1,722,280	1.29	1.47
Based on an Offer Price of HK$1.72 per Share	1,324,111	455,051	1,779,162	1.33	1.51

(1) The consolidated net tangible assets attributable to equity holders of the Company as of June 30, 2019 is arrived at after deducting intangible assets of RMB2.9 million from the consolidated net assets attributable to equity holders of the Company of RMB1,327.0 million as of June 30, 2019, as shown in the Accountants' Report, the text of which is set forth in Appendix I to this prospectus.

(2) The estimated net proceeds from the Global Offering are based on Offer Prices of HK$1.52 (being the minimum Offer Price) and HK$1.72 (being the maximum Offer Price) after deduction of the estimated underwriting fees and other related expenses related to Global Offering and the issuance of 333,334,000 Shares, taking no account of any Shares that may be issued upon exercise of the Over-allotment Option. The estimated net proceeds from the Global Offering are converted into RMB at an exchange rate of HK$1.1368 to RMB1.00.

(3) The unaudited pro forma adjusted net tangible assets attributable to equity holders of the Company per Share is arrived at after the adjustments for the estimated net proceeds from the Global Offering as described in note (2) and on the basis that 1,333,334,000 Shares are in issue assuming that the Global Offering has been completed on June 30, 2019 without taking into account of any Shares which may be issued upon exercise of the Over-allotment Option. No adjustment has been made to the pro forma adjusted net tangible assets of the Group attributable to equity holders of the Company as of June 30, 2019 to reflect any trading result or other transaction of the Group entered into subsequent to June 30, 2019.

(4) The unaudited pro forma adjusted net tangible assets attributable to equity holders of the Company per Share are converted into Hong Kong dollars at an exchange rate of RMB0.8797 to HK$1.00. No representation is made that the Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.

FUTURE PLANS

See "Business—Our Business Strategies" for a detailed description of our future plans.

USE OF PROCEEDS

Assuming the Over-allotment Option is not exercised, we estimate that the net proceeds of the Global Offering, after deducting the estimated underwriting fees and expenses payable by us in connection with the Global Offering, will be in the amounts set out below:

- approximately HK$452.6 million, assuming an Offer Price of HK$1.52 per H Share, being the low-end of the proposed Offer Price range;

- approximately HK$484.9 million, assuming an Offer Price of HK$1.62 per H Share, being the mid-point of the proposed Offer Price range; or

- approximately HK$517.2 million, assuming an Offer Price of HK$1.72 per H Share, being the high-end of the proposed Offer Price range.

We intend to use the net proceeds from the Global Offering for the purposes and in the amounts set out below, assuming the Offer Price is fixed at HK$1.62 per H Share (being the mid-point of the indicative range of the Offer Price of HK$1.52 to HK$1.72 per H Share) and the Over-allotment Option is not exercised:

- approximately 70% of the net proceeds, or HK$339.4 million, to expand our business operations by offering finance lease solutions and financial services to more technology and new economy companies in big data, eco-solutions, life sciences & healthcare, intelligent manufacturing, and internet-based products & services industries in China. We believe our competitive advantage of being the most dedicated finance lease company in serving technology and new economy companies will set us apart from our competitors in the new markets we penetrate, as we understand the characteristics of technology and new economy companies and have a risk management system in place to tackle them. We plan to capture market demand by leveraging our brand image as the most dedicated finance lease company in serving technology and new economy companies and by expanding our business project teams in seeking potential local technology and new economy companies. As advised by our PRC legal adviser, we do not believe we will be required to obtain new material permits and approvals to expand our geographical presence in China, unless we set up new branches or subsidiaries;

- approximately 10% of the net proceeds, or HK$48.5 million, to improve our information systems to increase our project assessment processes and improve our customer service capabilities. We intend to digitize our risk management processes to achieve greater efficiency and uniformity in our assessment of potential lease projects and customers. In optimizing the qualitative and quantitative criteria and factors we consider during the project assessment procedures, we intend to take into account the specialized characteristics of technology and new economy companies. Once these criteria and factors are set, we will consistently apply these factors so that companies with similar risk profiles are treated similarly, because we believe uniformity in our application the qualitative and quantitative criteria improves the efficiency of our finance lease solutions and reduces the likelihood of human error;

- approximately 10% of the net proceeds, or HK$48.5 million, to recruit more talented specialized personnel with valuable experience, knowledge and skillset to improve our core competitiveness, and improve the competitiveness of our compensation to existing personnel in order to increase our ability to retain talents. In particular, we intend to recruit approximately 50 more employees, approximately 40 of whom will work for our field offices in the Yangtze River Delta and the Guangdong-Hong Kong-Macau Greater Bay Area, and ten at our corporate headquarter in Beijing. In particular, we intend to locally recruit an aggregate of approximately 24 and 16 employees in 2020 and 2021 for our field offices in the Guangdong-Hong Kong-Macau Greater Bay Area and Yangtze River Delta, respectively, as required by our continuing business expansions in these two regions. In arriving at the estimate of 40 additional new hires in the field offices, our Directors have taken into account the number of employees that would be needed for the continuing business expansions in the Guangdong-Hong Kong-Macau Greater Bay Area and Yangtze River Delta by referring to current operating scales and the expected business growth in these regions. According to the F&S Report, the operating revenue of technology and new economy finance lease industry in Guangdong-Hong Kong-Macau Greater Bay Area and Yangtze River Delta is expected to grow from RMB4.1 trillion in 2018 to RMB11.5 trillion in 2023 and from RMB8.6 trillion in 2018 to RMB23.1 trillion in 2023, respectively, representing a CAGR of 23.0% and 21.9% during 2018 and 2023, respectively. The majority of these new hires will primarily be responsible for business development and marketing in their respective regions leveraging their local business connections and networks. In addition, we intend to recruit approximately ten additional back office employees at our Beijing headquarter to support our business expansion in 2020 and 2021, including the management and administrative functions of the two abovementioned regions from a headquarter perspective, performing various corporate functions such as human resources, finance, and project assessment. These new recruits are expected to hold at minimum a bachelor's degree, and have professional experience in corporate administrative functions, and professional experience in technology and new economy companies or in the finance lease industry; and

- any remaining balance to be used for additional working capital and other general corporate purposes.

The above allocation of the proceeds will be adjusted on a pro rata basis in the event that the Offer Price is fixed below or above the midpoint of the indicative price range. Any additional proceeds received from the exercise of the Over-allotment Option will also be allocated to the above purposes on a pro rata basis. In the event that the Over-allotment Option is exercised in full, we will receive net proceeds of HK$563.5 million (assuming an Offer Price of HK$1.62 per H Share, the mid-point of our indicative Offer Price range).

To the extent that the net proceeds are not immediately applied to the above purposes, we intend to deposit the net proceeds into short-term demand deposits and/or money market instruments.

HONG KONG UNDERWRITERS

Hong Kong Underwriters

Guotai Junan Securities (Hong Kong) Limited

Silk Road International Capital Limited

BOCOM International Securities Limited

GF Securities (Hong Kong) Brokerage Limited

HONG KONG UNDERWRITING ARRANGEMENTS

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company is offering initially 33,334,000 Hong Kong Public Offer Shares (subject to reallocation) for subscription by way of the Hong Kong Public Offering at the Offer Price on and subject to the terms and conditions of this prospectus and the Application Forms.

Subject to the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the H Shares to be issued pursuant to the Global Offering (including any H Shares which may be issued pursuant to the exercise of the Over-allotment Option) as mentioned herein and pursuant to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed to subscribe or procure subscriptions for the Hong Kong Public Offer Shares now being offered but which are not taken up under the Hong Kong Public Offering on and subject to the terms and conditions of this prospectus, the Application Forms and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on and subject to, among other things, the International Underwriting Agreement having been signed and becoming unconditional.

Grounds for Termination

The Sole Global Coordinator (for themselves and on behalf of the Hong Kong Underwriters) and the Sole Sponsor shall be entitled, after prior consultation with our Company, by notice (orally or in writing) to our Company to terminate the Hong Kong Underwriting Agreement with immediate effect if, at any time at or prior to 8:00 a.m. on the Listing Date:

(a) there develops, occurs, exists or comes into force any change or development involving a prospective change or development, or any event or series of events, matters or circumstances likely to result in or representing a change or development, or prospective change or development concerning or relating to:

(i) any new law or regulation or any change in existing law or regulation, or any change in the interpretation or application thereof by any court or other competent authority in or affecting Hong Kong, the PRC, the United States, any member of the European Union, Japan, Singapore or any other relevant jurisdiction (each a "Relevant Jurisdiction"); or

(ii) any local, national, regional or international financial, political, military, industrial, economic, currency market, fiscal or regulatory or market conditions (including, without limitation, conditions in stock, equity securities and bond markets, money and foreign exchange markets and inter-bank markets), or any monetary or trading settlement system or matters and/or disaster (including, without limitation a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or a devaluation of the Hong Kong dollars or an appreciation of the Renminbi against the currency of any of the United States, the European Union, the United Kingdom or Japan) in or affecting any Relevant Jurisdiction; or

(iii) any event or series of events in the nature of force majeure (including, without limitation, acts of government, declaration of a national or international emergency of war, epidemic, pandemic, outbreak of disease, economic sanction, strikes, lock-outs, fire, explosion, flooding, earthquake, civil commotion, acts of war, acts of terrorism (whether or not responsibility has been claimed), riot, public disorder, economic sanctions or acts of God) in or affecting any Relevant Jurisdiction; or

(iv) any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or calamity or crisis in or any Relevant Jurisdiction or the Global Offering; or

(v) (A) any suspension or limitation on trading in shares or securities generally on the Stock Exchange, the New York Stock Exchange, the Nasdaq National Market, the London Stock Exchange, the Tokyo Stock Exchange or (B) a general moratorium on commercial banking activities in New York, London, Hong Kong, Japan or the PRC declared by the relevant authorities, or a material disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services in or affecting any Relevant Jurisdiction; or

(vi) any adverse change or development involving prospective adverse change in taxation or exchange controls, currency exchange rates or foreign investment regulations in any Relevant Jurisdiction adversely affecting an investment in the H Shares; or

(vii) any Director being charged with an indictable offense or prohibited by operation of Law or otherwise disqualified from taking part in the management of a company or the commencement by any governmental, political or regulatory body of any action against any Director in his or her capacity as such or an announcement by any governmental, political or regulatory body that it intends to take any such action; or

(viii) a contravention by any member of the Group of a material provision of the Companies Ordinance or Companies (Winding Up and Miscellaneous Provisions) Ordinance or companies law of PRC or the Listing Rules or the laws of such member company's own jurisdiction; or

(ix) the issue or requirement to issue by the Company of a supplementary prospectus, Application Form, preliminary or final offering circular pursuant to the Companies Ordinance or Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules in circumstances where the matter to be disclosed is, in the sole opinion of the Sole Global Coordinator, materially adverse to the marketing for or implementation of the Global Offering; or

(x) any adverse change or development involving a reasonably likely adverse change of any of the risks set out in the section headed "Risk Factors" in this prospectus or the occurrence of any such events therein; or

(xi) any demand by creditors for repayment of indebtedness or a petition is presented for the winding-up or liquidation of any member of the Group or any member of the Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of the Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of the Group or anything analogous thereto occurs in respect of any member of the Group; or

(xii) any litigation or claim being threatened or instigated against the Company or any member of the Group or any Director; or

(xiii) the chairman and general manager of the Company vacating his or her office for any reason,

which in any such case, whether individually or in aggregate and in the sole reasonable opinion of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters),

(A) is or may or will be or is reasonably likely to be materially adverse to, or prejudicially affect, the general affairs or the business or financial or trading or other condition or prospects of the Company and its subsidiaries taken as a whole; or

(B) has or may have or will have or is reasonably likely to have a material adverse effect on the success of the Global Offering and/or make it impracticable, incapable, inexpedient or inadvisable for any part of this Agreement (including underwriting), the International Underwriting Agreement, the Hong Kong Public Offering or the Global Offering to be performed or implemented as envisaged or which prevents the processing of applications and/or payments pursuant to the Global Offering or underwriting thereof; or

(C) makes or will or is likely to make it impracticable, inexpedient or inadvisable to proceed with or to market the Hong Kong Public Offering and/or the Global Offering or the delivery of the Offer Shares on the terms and in the manner contemplated by the Hong Kong Public Offering Documents (as defined in the Hong Kong Underwriting Agreement), the formal notice relating to the Hong Kong Public Offering or the Final Offering Circular (as defined in the Hong Kong Underwriting Agreement);

(b) there has come to the notice of the Sole Global Coordinator or any of the Hong Kong Underwriters as at or after the date of the Hong Kong Underwriting Agreement:

(i) that any statement contained in the Hong Kong Public Offering Documents, the Formal Notice (as defined in the Hong Kong Underwriting Agreement) and any notices, announcements, advertisements, communications, or other documents in the agreed form issued by the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was, when it was issued, or has become untrue, incorrect or incomplete in any material respect or misleading, or that any forecasts, estimates, expression of opinion, intention or expectation expressed in such documents are not in all material aspects, fair and honest and based on reasonable assumptions, when taken as a whole; or

(ii) any matter has arisen or has been discovered which would, had it arisen immediately before the date of this prospectus, not having been disclosed in this prospectus, constitutes a material omission therefrom; or

(iii) any of the Warranties given by the Warrantors in the Hong Kong Underwriting Agreement is (or might when repeated be) being untrue or misleading or inaccurate in any respect; or

(iv) any event, act or omission which gives or is likely to give rise to any material liability of the Company pursuant to the indemnities given by the Company under this Agreement or the International Underwriting Agreement; or

(v) any breach of any of the obligations or undertakings of the Warrantors under this Agreement or the International Underwriting Agreement which has or may have or will have or is reasonably likely to have a material adverse effect on the success of the Global Offering or the business or financial conditions or prospects of the Group; or

(vi) any breach of any of the obligations of any party (other than the Sole Global Coordinator or the Underwriters, if applicable) to any of the Operative Documents (as defined in the Hong Kong Underwriting Agreement) which has or may have or will have or is reasonably likely to have a material adverse effect on the success of the Global Offering or the business or financial conditions or prospects of the Group; or

(vii) any material adverse change or development involving prospective material adverse change in the assets, liabilities, conditions, earnings, profits, losses, business, properties, results of operations, in the financial or trading position or prospects or performance of the Company and its subsidiaries taken as a whole;

(viii) a material portion of the orders placed or confirmed in the book-building process, or the investment commitments by any corporate or cornerstone investors, have been withdrawn, terminated or cancelled;

(ix) any expert named in the paragraph headed "Statutory and General Information—D. Other Information—6. Qualification of Experts" in Appendix VI to this prospectus has withdrawn its respective consent to the issue of this prospectus with the inclusion of its reports, letters, opinions and/or legal opinions (as the case may be) and references to its name included in the form and context in which it respectively appears; or

(x) the Company withdraws the Hong Kong Public Offering Documents or the Global Offering;

then the Sole Global Coordinator (on behalf of the Hong Kong Underwriters) may in its sole discretion and upon giving notice to the Company on or prior to 8:00 a.m. on the Listing Date, terminate this Agreement with immediate effect.

OTHER UNDERTAKINGS

Undertakings by Our Company

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that, no further Shares or securities convertible into our equity securities (whether or not of a class already listed) may be issued by us or form the subject of any agreement to such an issue within six months from the Listing Date (whether or not such issue of Shares or our securities will be completed within six months from the commencement of dealing), except pursuant to the Global Offering (including the exercise of the Over-allotment Option) or in certain circumstances prescribed by Rule 10.08 of the Listing Rules.

Undertakings by the Controlling Shareholders

Each of our Controlling Shareholders has undertaken to the Stock Exchange pursuant to Rule 10.07 of the Listing Rules, the Sole Sponsor, the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) and to our Company that, except pursuant to the Global Offering (including the exercise of the Over-allotment Option), it will not and will procure that the relevant registered holder(s) of our Shares will not, without the prior written consent of the Stock Exchange and unless in compliance with the requirements of the Listing Rules:

(a) in the period commencing on the date by reference to which disclosure of its shareholding in our Company is made in this prospectus and ending on the date which is six months from the date on which dealings in our H Shares commence on the Stock Exchange (the "First Six Month Period"), dispose of, nor enter into agreement to dispose of or otherwise create any options, rights, interest or encumbrances in respect of, any of the securities in respect of which it is shown by this prospectus to be the beneficial owner, including the securities in such companies through which it directly or indirectly holds Shares in our Company;

(b) in the period of six months commencing on the date on which the First Six Month Period expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the securities referred to in the above paragraph (a) if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/she/it would then cease to be a Controlling Shareholder for the purposes of the Listing Rules, Each of our Controlling Shareholders has further undertaken to the Stock Exchange pursuant to note (3) to Rule 10.07(2) of the Listing Rules, the Sole Sponsor, the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) and to our Company that within the period commencing on the date by reference to which disclosure of its shareholding is made in this prospectus and ending on the date which is 12 months from the Listing Date, he/she/it will immediately inform our Company and the Stock Exchange in writing of:

(c) any pledge(s) or charge(s) of any Shares or securities of our Company beneficially owned by it in favor of any authorized institution as permitted under the Listing Rules, and the number of such Shares or securities of our Company so pledged or charged; and

(d) any indication(s) received by any of our Controlling Shareholders, either verbal or written, from the pledgee or chargee of any Shares or other securities of our Company pledged or charged that any of such Shares or other securities will be disposed of.

We will also inform the Stock Exchange as soon as we have been informed of the above matters (if any) by the Controlling Shareholders and disclose such matters in accordance with the publication requirements under Rule 2.07C of the Listing Rules as soon as possible.

UNDERTAKINGS PURSUANT TO THE HONG KONG UNDERWRITING AGREEMENT

Undertakings by Our Company

Except for the offer of the Offer Shares pursuant to the Global Offering (including pursuant to the exercise of the Over-allotment Option), during the First Six Month Period, we have undertaken to each of the Sole Sponsor, the Sole Global Coordinator and the Hong Kong Underwriters not to, and to procure each other member of our Group not to, without the prior written consent of the Sole Sponsor and the Sole Global Coordinator (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

(a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an Encumbrance (as defined in the Hong Kong Underwriting Agreement) over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of our Company or any shares, or other securities of such other member of our Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares of such other member of our Group, as applicable), or any interest in any of the foregoing), or deposit any Shares or other securities of our Company, as applicable, with a depositary in connection with the issue of depositary receipts; or

(b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Shares or any other securities of our Company or any shares or other securities of such other member of our Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any securities of such other member of our Group, as applicable); or

(c) enter into any transaction with the same economic effect as any transaction specified in paragraphs (a) or (b) above; or

(d) offer to or agree to or announce any intention to effect any transaction specified in paragraphs (a), (b) or (c) above,

in each case, whether any of the transactions specified in paragraphs (a), (b) or (c) above is to be settled by delivery of Shares or such other securities of our Company or shares or other securities of such other member of our Group, as applicable, or in cash or otherwise (whether or not the issue of such Shares or such other securities will be completed within the First Six Month Period). In the event that, during the period of six months commencing on the date on which the First Six Month Period expires (the "Second Six Month Period"), our Company enters into any of the transactions specified in paragraphs (a), (b) or (c) above or offers to or agrees to or announces any intention to effect any such transaction, our Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Company.

Indemnity

We have agreed to indemnify, among others, the Sole Sponsor, the Sole Global Coordinator and the Hong Kong Underwriters for certain losses which they may suffer, including, among other things, losses arising from the performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us of the Hong Kong Underwriting Agreement.

INTERNATIONAL OFFERING

International Underwriting Agreement

In connection with the International Offering, it is expected that we will enter into the International Underwriting Agreement, among others, with the International Underwriters and the Sole Global Coordinator. Under the International Underwriting Agreement, the International Underwriters, subject to certain conditions set out therein, will agree to procure subscribers or purchasers for the International Offer Shares, failing which it agrees to subscribe for or purchase the International Offer Shares which are not taken up under the International Offering.

We expect to grant the Over-allotment Option to the International Underwriters and exercisable by the Sole Global Coordinator on or before Thursday, February 13, 2020, being the 30th day from the last day for the lodging of Application Forms under the Hong Kong Public Offering, to require us to issue and allot up to an aggregate of 50,000,000 Offer Shares, representing in aggregate approximately 15% of the Offer Shares initially available under the Global Offering at the Offer Price to cover over-allocations, if any, in the International Offering.

COMMISSION AND EXPENSES

The Hong Kong Underwriters will receive an underwriting commission of 2.5% of the aggregate Offer Price payable for the Hong Kong Public Offer Shares initially offered under the Hong Kong Public Offering. For unsubscribed Hong Kong Public Offer Shares reallocated to the International Offering, we will pay an underwriting commission at the rate applicable to the International Offering and such commission will be paid to the International Underwriters. Our Company may also in its sole discretion pay the Sole Global Coordinator an additional incentive fee of up to 1% of the aggregate of the sale proceeds of the Offer Shares under the Global Offering (including pursuant to the exercise of the Over-allotment Option).

The aggregate commissions and fees (including the discretionary incentive fee), together with the listing fees, SFC transaction levy, the Stock Exchange trading fee, legal and other professional fees, printing and other expenses payable by us relating to the Global Offering are estimated to amount to HK$55.1 million in total (based on the mid-point of our indicative price range of the Global Offering of HK$1.62 and assuming the Over-allotment Option is not exercised).

ACTIVITIES BY THE UNDERWRITERS

The Underwriters and their respective affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilizing process. These entities are diverse financial institutions with relationships in and outside Hong Kong. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own accounts and for the account of others. In relation to the H Shares, other activities could include acting as agent for buyers and sellers of the H Shares, entering into transactions with other buyers and sellers in a principal capacity, proprietary trading in the H Shares, and entering into over the counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets including the H Shares. Those activities may require hedging activity by those entities involving, directly or indirectly, buying and selling the H Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Underwriters and their respective affiliates holding long and/or short positions in the H Shares, in baskets of securities or indices including the H Shares, in units of funds that may purchase the H Shares, or in derivatives related to any of the foregoing.

In relation to issues by the Underwriters or their respective affiliates of any listed securities having the H Shares as their or part of their underlying assets, whether on the Stock Exchange or on any other stock exchange, the rules of the relevant stock exchange may require the issuer of other securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and these will also result in hedging activity in the H Shares in most cases.

All these activities may occur both during and after the end of the stabilizing period described in the paragraph headed "Structure of the Global Offering—Stabilization" in this prospectus. These activities may affect the market price or value of the H Shares, the liquidity or trading volume in the H Shares, and the volatility of our Share price, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Underwriters or their respective affiliates will be subject to certain restrictions, including the following:

(a) the Underwriters or their respective affiliates (other than the Stabilizing Manager or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and

(b) the Underwriters or their respective affiliates must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

HONG KONG UNDERWRITERS' INTERESTS IN OUR COMPANY

Save as disclosed in this prospectus and other than pursuant to the Hong Kong Underwriting Agreement, none of the Hong Kong Underwriters has any shareholding in any member of our Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement and/or the International Underwriting Agreement.

RESTRICTIONS ON THE OFFER SHARES

No action has been taken to permit a public offering of the Offer Shares other than in Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation.

In particular, the Offer Shares have not been offered or sold, and will not be offered or sold, directly or indirectly, in the PRC.

SOLE SPONSOR'S INDEPENDENCE

The Sole Sponsor satisfies the independence criteria set out in Rule 3A.07 of the Listing Rules.

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering consists of (subject to reallocation and the Over-allotment Option):

(i) the Hong Kong Public Offering of 33,334,000 Offer Shares (subject to reallocation as mentioned below) in Hong Kong as described in the paragraph headed "The Hong Kong Public Offering" in this section; and

(ii) the International Offering of 300,000,000 Offer Shares (subject to reallocation as mentioned below) outside the United States (including to professional and institutional investors within Hong Kong) in offshore transactions in reliance on Regulation S.

The Offer Shares will represent 25% of the enlarged issued share capital of our Company immediately after completion of the Global Offering (without taking into account shares to be issued upon exercise of the Over-allotment Option). If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 27.71% of the enlarged issued share capital immediately after completion of the Global Offering and the exercise of the Over-allotment Option as set out in the paragraph headed "The International Offering—Over-allotment Option" in this section.

Investors may apply for the Hong Kong Public Offer Shares under the Hong Kong Public Offering or apply for or indicate an interest, if qualified to do so, for the International Offer Shares under the International Offering, but may not do both. The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. The International Offering will involve selective marketing of the International Offer Shares to institutional and professional investors and other investors expected to have a sizeable demand for the International Offer Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. The International Underwriters are soliciting from prospective investors' indications of interest in acquiring the International Offer Shares. Prospective investors will be required to specify the number of International Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price.

The number of Hong Kong Public Offer Shares and International Offer Shares to be offered under the Hong Kong Public Offering and the International Offering respectively may be subject to reallocation as described in the paragraph headed "The Hong Kong Public Offering—Reallocation and Clawback" in this section.

THE HONG KONG PUBLIC OFFERING

Number of Shares Initially Offered

Our Company is initially offering 33,334,000 Offer Shares at the Offer Price under the Hong Kong Public Offering, representing approximately 10% of the total number of Offer Shares initially available under the Global Offering, for subscription by the public in Hong Kong. Subject to reallocation as mentioned below, the number of Offer Shares initially offered under the Hong Kong Public Offering will represent approximately 2.5% of our enlarged issued share capital immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

In Hong Kong, individual retail investors are expected to apply for the Hong Kong Public Offer Shares through the Hong Kong Public Offering and individual retail investors, including individual investors in Hong Kong applying through banks and other institutions, seeking International Offer Shares will not be allotted International Offer Shares in the International Offering.

The Sole Global Coordinator may require any investor who has been offered Offer Shares under the International Offering, and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Sole Global Coordinator so as to allow it to identify the relevant applications under the Hong Kong Public Offering and to ensure that it is excluded from any application for the Hong Kong Public Offer Shares.

Allocation

For allocation purposes only, the total number of Offer Shares initially being offered for subscription under the Hong Kong Public Offering (after taking into account any adjustment in the number of Offer Shares allocated between the Hong Kong Public Offering and the International Offering) will be divided equally into two pools (subject to adjustment at odd lot size): Pool A comprising 16,668,000 Hong Kong Public Offer Shares and Pool B comprising 16,666,000 Hong Kong Public Offer Shares, both of which are available on an equitable basis to successful applicants. All valid applications that have been received for the Hong Kong Public Offer Shares with a total subscription amount (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee) of HK$5 million or below will fall into Pool A and all valid applications that have been received for the Hong Kong Public Offer Shares with a total subscription amount (excluding brokerage, SFC transaction levy and Stock Exchange trading fee) of over HK$5 million and up to the total value of Pool B, will fall into Pool B.

Applicants should be aware that applications in Pool A and Pool B may receive different allocation ratios. If the Hong Kong Public Offer Shares in one pool (but not both pools) are under-subscribed, the surplus Hong Kong Public Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. Applicants can only receive an allocation of the Hong Kong Public Offer Shares from either Pool A or Pool B but not from both pools and only apply for the Hong Kong Public Offer Shares in either Pool A or Pool B. When there is over-subscription, allocation of the Hong Kong Public Offer Shares to investors under the Hong Kong Public Offering, both in relation to Pool A and Pool B, will be based on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation in each pool may vary, depending on the number of Hong Kong Public Offer Shares validly applied for by each applicant. The allocation of Hong Kong Public Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Public Offer Shares and those applicants who are not successful in the ballot may not receive any Hong Kong Public Offer Shares.

Reallocation and Clawback

The allocation of the Offer Shares between the International Offering and the Hong Kong Public Offering is subject to reallocation pursuant to paragraph 4.2 of Practice Note 18 of the Listing Rules as follows:

(a) if the number of Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of Shares initially available for subscription under the Hong Kong Public Offering, then Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of Shares available for subscription under the Hong Kong Public Offering will be increased to 100,002,000 Shares, representing approximately 30% of the Offer Shares initially available for subscription under the Global Offering (before any exercise of the Over-allotment Option);

(b) if the number of Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of Shares initially available for subscription under the Hong Kong Public Offering, then Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the number of Shares available for subscription under the Hong Kong Public Offering will be increased to 133,334,000 Shares, representing approximately 40% of the Offer Shares initially available for subscription under the Global Offering (before any exercise of the Over-allotment Option); and

(c) if the number of Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of Shares initially available for subscription under the Hong Kong Public Offering, then Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the number of Shares available for subscription under the Hong Kong Public Offering will be increased to 166,668,000 Shares, representing approximately 50% of the Offer Shares initially available for subscription under the Global Offering (before any exercise of the Over-allotment Option).

In each case, the Offer Shares reallocated to the Hong Kong Public Offering from the International Offering will be allocated between Pool A and Pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Sole Global Coordinator deem appropriate.

In addition, the Sole Global Coordinator may reallocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering. In accordance with Guidance Letter GL 91-18 issued by the Stock Exchange, if such reallocation is done other than pursuant to Practice note 18 of the Listing Rules, the maximum total number of Offer Shares that may be allocated to the Hong Kong Public Offering following such reallocation shall be not more than double the initial allocation to the Hong Kong Public Offering (i.e. 66,668,000 Shares), and the final Offer Price shall be fixed at the low-end of the indicative Offer Price range (i.e. HK$1.52 per Offer Share) stated in this prospectus.

If the Hong Kong Public Offering is not fully subscribed, the Sole Global Coordinator have the authority to reallocate all or any of the unsubscribed Hong Kong Public Offer Shares originally included in the Hong Kong Public Offering to the International Offering in such proportions as the Sole Global Coordinator deem appropriate.

The Offer Shares to be offered in the Hong Kong Public Offering and the Offer Shares to be offered in the International Offering may, in certain circumstances, be reallocated between these offerings at the discretion of the Sole Global Coordinator.

Applications

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the Application Form submitted by him that he and any person(s) for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the International Offering.

Multiple or suspected multiple applications and any application for more than approximately 50% of the total number of the Offer Shares initially comprised in the Hong Kong Public Offering (that is 16,666,000 Shares) are liable to be rejected.

The listing of the Offer Shares on the Stock Exchange is sponsored by the Sole Sponsor. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK$1.72 per Offer Share in addition to any brokerage, SFC transaction levy and Stock Exchange trading fee payable on each Offer Share. If the Offer Price, as finally determined in the manner described in the paragraph headed "Pricing of the Global Offering" in this section, is less than the maximum price of HK$1.72 per Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy and Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out in "How to Apply for Hong Kong Public Offer Shares."

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

THE INTERNATIONAL OFFERING

Number of International Offer Shares Offered

The number of International Offer Shares to be initially offered for subscription under the International Offering will consist of 300,000,000 Offer Shares, representing approximately 90% of the Offer Shares under the Global Offering. Subject to any reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, the International Offer Shares will represent approximately 22.5% of our enlarged issued share capital immediately after completion of the Global Offering assuming that the Over-allotment Option is not exercised.

Allocation

Pursuant to the International Offering, the International Underwriters will conditionally place the International Offer Shares with institutional and professional investors and other investors expected to have a sizeable demand for the Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. The International Offering is subject to the Hong Kong Public Offering being unconditional.

Allocation of the International Offer Shares pursuant to the International Offering will be determined by the Sole Global Coordinator and will be based on a number of factors including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell the Offer Shares after the Listing. Such allocation may be made to professional, institutional and corporate investors and is intended to result in a distribution of the Offer Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of our Company and our Shareholders as a whole.

The Sole Global Coordinator (for itself and on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering, and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Sole Global Coordinator so as to allow them to identify the relevant application under the Hong Kong Public Offering and to ensure that it is excluded from any application of Offer Shares under the Hong Kong Public Offering.

Reallocation

The total number of International Offer Shares to be offered pursuant to the International Offering may change as a result of the clawback arrangement described in the paragraph headed "The Hong Kong Public Offering—Reallocation and Clawback" in this section, exercise of the Over-allotment Option in whole or in part and/or reallocation of all or any unsubscribed Hong Kong Public Offer Shares to the International Offering.

Over-allotment Option

In connection with the Global Offering, our Company is expected to grant an Over-allotment Option to the International Underwriters, exercisable by the Sole Global Coordinator at its sole and absolute discretion at any time within 30 days after the last day for lodging applications under the Hong Kong Public Offering. Pursuant to the Over-allotment Option, the Sole Global Coordinator will have the right to require our Company to issue and allot up to an aggregate of 50,000,000 Offer Shares representing in aggregate approximately 15.0% of the initial number of the Offer Shares at the Offer Price to cover over-allocations in the International Offering, if any. An announcement will be made in the event that the Over-allotment Option is exercised. The Sole Global Coordinator may also cover any over-allocations by purchasing Shares in the secondary market or by a combination of purchases in the secondary market and a partial exercise of the Over-allotment Option. Any such secondary market purchase will be made in compliance with all applicable laws, rules and regulations.

PRICING OF THE GLOBAL OFFERING

The International Underwriters will be soliciting from prospective investors' indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building" is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

The Offer Price is expected to be fixed by agreement between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and us on the Price Determination Date. The Price Determination Date is expected to be on or around Tuesday, January 14, 2020 and, in any event, not later than Sunday, January 19, 2020. The Offer Price will be not more than HK$1.72 and is currently expected not to be less than HK$1.52, unless otherwise announced as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. **Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus. If, for any reason, the Offer Price is not agreed by Sunday, January 19, 2020 between the Sole Global Coordinator (for themselves and on behalf of the Underwriters) and us, the Global Offering will not proceed and will lapse.**

If, based on the level of interest expressed by prospective institutional, professional and other investors during the book-building process, the Sole Global Coordinator consider it appropriate, the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range may be reduced below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of Tuesday, January 14, 2020, being the last day for lodging applications under the Hong Kong Public Offering, cause to be published on the Stock Exchange's website at **www.hkexnews.hk**, and on our Company's website at **www.zgclease.com** the notice of the reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the offering statistics as currently set out in "Summary" and any other financial information which may change as a result of such reduction.

Before submitting applications for the Hong Kong Public Offer Shares, applicants should have regard to the possibility that any announcement of any such reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering.

If the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range is so reduced, applicants who have already submitted an application will be notified that they are required to confirm their applications. All applicants who have already submitted an application need to confirm their applications in accordance with the procedures set out in the announcement and all unconfirmed applications will not be valid. In the absence of any notice being published of a reduction in the number of Offer Shares being offered under the Global Offering and/or a reduction in the indicative Offer Price range stated in this prospectus and the Application Forms, respectively, on or before the last day for lodging applications under the Hong Kong Public Offering, the Offer Price, once agreed upon, will under no circumstances be outside the Offer Price range as stated in this prospectus.

The applicable Offer Price, level of applications in the Hong Kong Public Offering, the level of indications of interest in the International Offering, the results of applications and basis of allotment of the Hong Kong Public Offer Shares are expected to be announced on Monday, January 20, 2020 through a variety of channels as described in the paragraph headed "How to Apply for Hong Kong Public Offer Shares—Publication of Results."

STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, underwriters may bid for or purchase securities in the secondary market during a specified period of time to retard and, if possible, prevent a decline in the initial public market price of the securities below the Offer Price. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements of the relevant jurisdictions. In Hong Kong, the price at which stabilization is effected is not permitted to exceed the Offer Price.

In connection with the Global Offering, the Stabilizing Manager, its affiliates or any persons acting for it may, to the extent permitted by applicable laws of Hong Kong or elsewhere, over-allocate or effect transactions with a view to stabilizing or supporting the market price of our H Shares at a level higher than that which might otherwise prevail in the open market for a limited period after the Listing Date. Any market purchases of our H Shares will be effected in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilizing Manager, its affiliates or any persons acting for it to conduct any such stabilizing action. Such stabilizing action, if taken, will be required to be brought to an end within 30 days of the last day for lodging applications under the Hong Kong Public Offering and conducted at the absolute discretion of the Stabilizing Manager, its affiliates or any persons acting for it, and may be discontinued at any time.

Stabilization action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules of the SFO, as amended, includes (i) over-allocating for the purpose of preventing or minimizing any reduction in the market price of our H Shares; (ii) selling or agreeing to sell our H Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of our H Shares; (iii) purchasing or agreeing to purchase our H Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above; (iv) purchasing or agreeing to purchase our H Shares for the sole purpose of preventing or minimizing any reduction in the market price of our H Shares; (v) selling or agreeing to sell our H Shares in order to liquidate any position established as a result of the abovementioned purchases; and (vi) offering or attempting to do anything as described in (ii), (iii), (iv) or (v) above.

Specifically, prospective applicants for the Offer Shares should note that:

- the Stabilizing Manager, its affiliates or any person acting for it may, in connection with the stabilizing action, maintain a long position in our H Shares;

- there is no certainty as to the extent to which, and the time or period for which, the Stabilizing Manager, its affiliates or any person acting for it will maintain such a long position;

- liquidation and selling of any such long position in the open market by the Stabilizing Manager, its affiliates or any person acting for it may have an adverse impact on the market price of our H Shares;

- no stabilizing action can be taken to support the price of our H Shares for longer than the stabilization period which will begin on the Listing Date and is expected to expire on Thursday, February 13, 2020, being the 30th day after the last date for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilizing action may be taken, demand for our H Shares, and therefore the price of our H Shares, could fall;

- the price of our H Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilizing action; and

- stabilizing bids or transactions effected in the course of the stabilizing action may be made at any price at or below the Offer Price and can, therefore, be done at a price below the price paid by applicants for the Offer Shares.

Our Company will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilizing) Rules of the SFO will be made within seven days of the expiration of the stabilization period.

In connection with the Global Offering, the Stabilizing Manager may over-allocate up to and not more than an aggregate of 50,000,000 H Shares and cover such over-allocations by (amongst other methods) exercising the Over-allotment Option or by making purchases in the secondary market at prices that do not exceed the Offer Price.

UNDERWRITING ARRANGEMENTS

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement, subject to agreement on the Offer Price between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and us on the Price Determination Date.

We expect that our Company will, on or about Tuesday, January 14, 2020, shortly after determination of the Offer Price, enter into the International Underwriting Agreement relating to the International Offering. Underwriting arrangements, the Hong Kong Underwriting Agreement and the International Underwriting Agreement are summarized in "Underwriting."

H SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made enabling the H Shares to be admitted into CCASS.

If the Stock Exchange grants the listing of, and permission to deal in, the H Shares and our Company complies with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Tuesday, January 21, 2020, it is expected that dealings in H Shares on the Stock Exchange will commence on Tuesday, January 21, 2020. Our H Shares will be traded in board lots of 2,000 H Shares each and the stock code will be 1601.

CONDITIONS OF THE HONG KONG PUBLIC OFFERING

Acceptance of all applications for the Hong Kong Public Offer Shares pursuant to the Hong Kong Public Offering will be conditional on, inter alia:

- the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Offer Shares to be issued pursuant to the Global Offering (including any Offer Shares which may be issued pursuant to the exercise of the Over-allotment Option) and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the Offer Shares on the Stock Exchange;

- our Company having submitted to the HKSCC all requisite documents to enable the Offer Shares to be admitted to trade on the Stock Exchange;

- the Offer Price having been duly determined and the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and

- the obligations of the Underwriters under the respective Underwriting Agreements becoming and remaining unconditional (unless and to the extent such conditions are validly waived on or before such dates and times by the Sole Global Coordinator and not having been terminated in accordance with the terms of the respective agreements.

In each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the date which is 30 days after the date of this prospectus.

If, for any reason, the Offer Price is not agreed between our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters), the Global Offering will not proceed.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. We will cause a notice of the lapse of the Hong Kong Public Offering to be published by us on our website at **www.zgclease.com** and the website of Hong Kong Exchange and Clearing Limited at **www.hkexnews.hk** on the next day following such lapse. In such event, all application monies will be returned, without interest, on the terms set out in "How to Apply for Hong Kong Public Offer Shares." In the meantime, the application monies will be held in separate bank account(s) with the receiving bank(s) or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, amongst other things, the other becoming unconditional and not having been terminated in accordance with its terms.

Share certificates for the Offer Shares are expected to be issued on Monday, January 20, 2020 but will only become valid certificates of title at 8:00 a.m. on the date of commencement of the dealings in our H Shares, which is expected to be on Tuesday, January 21, 2020, provided that (i) the Global Offering has become unconditional in all respects, and (ii) neither of the Underwriting Agreements has been terminated in accordance with its terms. Investors who trade Offer Shares prior to the receipt of share certificates or prior to the share certificates bearing valid certificates of title do so entirely at their own risk.

HOW TO APPLY

If you apply for Hong Kong Public Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

To apply for Hong Kong Public Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **White Form eIPO** service at **www.eipo.com.hk**; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Sole Global Coordinator, the **White Form eIPO** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

WHO CAN APPLY

You can apply for Hong Kong Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S); and
- are not a legal or natural person of the PRC.

If you apply online through the **White Form eIPO** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorized officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, Sole Global Coordinator may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **White Form eIPO** service for the Hong Kong Public Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Public Offer Shares if you are:

- an existing beneficial owner of any H Shares in our Company and/or any its subsidiaries;
- a Director or chief executive officer of our Company and/or any of its subsidiaries;
- an associate (as defined in the Listing Rules) of any of the above;
- a connected person (as defined in the Listing Rules) of our Company or will become a connected person of our Company immediately upon completion of the Global Offering; and
- have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

APPLYING FOR HONG KONG PUBLIC OFFER SHARES

Which Application Channel to Use

For Hong Kong Public Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through **www.eipo.com.hk**.

For Hong Kong Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours between 9:00 a.m. on Tuesday, December 31, 2019 until 12:00 noon on Tuesday, January 14, 2020 from:

(i) the following offices of the Hong Kong Underwriters:

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

Silk Road International Capital Limited
2906, 29/F, Two International Finance Centre
8 Finance Street, Central
Hong Kong

BOCOM International Securities Limited
9th Floor, Man Yee Building
68 Des Voeux Road, Central
Hong Kong

GF Securities (Hong Kong) Brokerage Limited
29-30/F, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

(ii) any of the following designated outlets of **Bank of Communications Co., Ltd. Hong Kong Branch**:

District	Outlet Name	Address
Hong Kong Island	Chai Wan Sub-Branch	G/F., 121-121A Wan Tsui Road, Chai Wan Cinema Building, Chai Wan
Kowloon	Kwun Tong Sub-Branch	Shop E, Block G & H, G/F., East Sun Industrial Centre, 16 Shing Yip Street, Kwun Tong
New Territories	Yuen Long Sub-Branch	Shop 2B, G/F., Man Yu Building, 2-14 Tai Fung Street, Yuen Long

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Tuesday, December 31, 2019 until 12:00 noon on Tuesday, January 14, 2020 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "**BANK OF COMMUNICATIONS (NOMINEE) CO. LTD. — ZHONGGUANCUN PUBLIC OFFER**" for the payment, should be deposited in the special collection boxes provided at any of the outlets of the receiving bank listed above, at the following times:

- **Tuesday, December 31, 2019—9:00 a.m. to 5:00 p.m.**
- **Thursday, January 2, 2020—9:00 a.m. to 5:00 p.m.**
- **Friday, January 3, 2020—9:00 a.m. to 5:00 p.m.**
- **Saturday, January 4, 2020—9:00 a.m. to 1:00 p.m.**
- **Monday, January 6, 2020—9:00 a.m. to 5:00 p.m.**
- **Tuesday, January 7, 2020—9:00 a.m. to 5:00 p.m.**
- **Wednesday, January 8, 2020—9:00 a.m. to 5:00 p.m.**
- **Thursday, January 9, 2020—9:00 a.m. to 5:00 p.m.**
- **Friday, January 10, 2020—9:00 a.m. to 5:00 p.m.**
- **Saturday, January 11, 2020—9:00 a.m. to 1:00 p.m.**
- **Monday, January 13, 2020—9:00 a.m. to 5:00 p.m.**
- **Tuesday, January 14, 2020—9:00 a.m. to 12:00 noon**

The application lists will be open from 11:45 a.m. to 12:00 noon on Tuesday, January 14, 2020, the last application day or such later time as described in the paragraph headed "Effect of Bad Weather on the Opening of the Application Lists" in this section.

TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through **White Form eIPO** service, among other things, you:

(i) undertake to execute all relevant documents and instruct and authorize our Company and/or the Sole Global Coordinator (or its agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by our Articles of Association;

(ii) agree to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the PRC Company Law, the Special Regulations and our Articles of Association;

(iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;

(iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

(v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;

(vi) agree that none of our Company, Sole Global Coordinator, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);

(vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares under the International Offering nor participated in the International Offering;

(viii) agree to disclose to our Company, our H Share Registrar, receiving bank(s), the Sole Global Coordinator, the Underwriters and/or their respective advisors and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sole Global Coordinator and the Underwriters nor any of their respective officers or advisors will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;

(x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(xi) agree that your application will be governed by the laws of Hong Kong;

(xii) represent, warrant and undertake that (i) you understand that the Hong Kong Public Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(xiii) warrant that the information you have provided is true and accurate;

(xiv) agree to accept the Hong Kong Public Offer Shares applied for, or any lesser number allocated to you under the application;

(xv) authorize our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Hong Kong Public Offer Shares allocated to you, and our Company and/or its agents to send any H Share certificate(s) and/or any e-Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you are eligible to collect the H Share certificate(s) and/or refund cheque(s) in person;

(xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xvii) understand that our Company and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Public Offer Shares to you and that you may be prosecuted for making a false declaration;

(xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **White Form eIPO** Service Provider by you or by any one as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

APPLYING THROUGH WHITE FORM eIPO SERVICE

General

Individuals who meet the criteria in the paragraph headed "Who can apply" in this section, may apply through the **White Form eIPO** service for the Offer Shares to be allotted and registered in their own names through the designated website at **www.eipo.com.hk**.

Detailed instructions for application through the **White Form eIPO** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorize the **White Form eIPO** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** service.

Time for Submitting Applications under the White Form eIPO Service

You may submit your application to the **White Form eIPO** Service Provider at **www.eipo.com.hk** (24 hours daily, except on the last application day) from 9:00 a.m. on Tuesday, December 31, 2019 until 11:30 a.m. on Tuesday, January 14, 2020 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Tuesday, January 14, 2020 or such later time under the paragraph headed "Effect of Bad Weather on the Opening of the Application Lists" in this section.

No Multiple Applications

If you apply by means of **White Form eIPO**, once you complete payment in respect of any electronic application instruction given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Public Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under **White Form eIPO** more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

Commitment to sustainability

The obvious advantage of **White Form eIPO** service is to save the use of paper via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated **White Form eIPO** Service Provider, will contribute HK$2 for each "Zhongguancun Science-Tech Leasing Co., Ltd." **White Form eIPO** application submitted via **www.eipo.com.hk** to support sustainability.

APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Public Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling +852 2979 7888 or through the CCASS Internet System (**https://ip.ccass.com**) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
1/F, One & Two Exchange Square
8 Connaught Place, Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Public Offer Shares on your behalf.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Sole Global Coordinator and our H Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

(i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

(ii) HKSCC Nominees will do the following things on your behalf:

- agree that the Hong Kong Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;

- agree to accept the Hong Kong Public Offer Shares applied for or any lesser number allocated;

- undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering;

- declare that only one set of **electronic application instructions** has been given for your benefit;

- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorized to give those instructions as their agent;

- confirm that you understand that our Company, our Directors and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Public Offer Shares to you and that you may be prosecuted if you make a false declaration;

- authorize our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Hong Kong Public Offer Shares allocated to you and to send H Share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;

- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;

- agree that none of our Company, the Sole Global Coordinator, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);

- agree to disclose your personal data to our Company, our H Share Registrar, receiving bank(s), the Sole Global Coordinator, the Underwriters and/or its respective advisors and agents;

- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Public Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Hong Kong Public Offering results;

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Hong Kong Public Offer Shares;

- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the PRC Company Law, the Special Regulations and our Articles of Association;

- agree with our Company, for itself and for the benefit of each Shareholder and each director, supervisor, manager and other senior officer of our Company (and so that our Company will be deemed by its acceptance in whole or in part of this application to have agreed, for itself and on behalf of each Shareholder and each director, supervisor, manager and other senior officer of our Company, with each CCASS Participant giving **electronic application instructions**):

  (a) to refer all differences and claims arising from our Articles of Association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant laws and administrative regulations concerning the affairs of our Company to arbitration in accordance with our Articles of Association;

  (b) that any award made in such arbitration shall be final and conclusive; and

  (c) that the arbitration tribunal may conduct hearings in open sessions and publish its award;

- agree with our Company (for our Company itself and for the benefit of each Shareholder) that H Shares in our Company are freely transferable by their holders;

- authorize our Company to enter into a contract on its behalf with each director and officer of our Company whereby each such director and officer undertakes to observe and comply with his or her obligations to Shareholders stipulated in our Articles of Association; and

- agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Public Offer Shares on your behalf;

- instructed and authorized HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and

- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of number of 2,000 Hong Kong Public Offer Shares. Instructions for more than 2,000 Hong Kong Public Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Public Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions[(1)]

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

- **Tuesday, December 31, 2019—9:00 a.m. to 8:30 p.m.**
- **Thursday, January 2, 2020—8:00 a.m. to 8:30 p.m.**
- **Friday, January 3, 2020—8:00 a.m. to 8:30 p.m.**
- **Saturday, January 4, 2020—8:00 a.m. to 1:00 p.m.**
- **Monday, January 6, 2020—8:00 a.m. to 8:30 p.m.**
- **Tuesday, January 7, 2020—8:00 a.m. to 8:30 p.m.**
- **Wednesday, January 8, 2020—8:00 a.m. to 8:30 p.m.**
- **Thursday, January 9, 2020—8:00 a.m. to 8:30 p.m.**
- **Friday, January 10, 2020—8:00 a.m. to 8:30 p.m.**
- **Saturday, January 11, 2020—8:00 a.m. to 1:00 p.m.**
- **Monday, January 13, 2020—8:00 a.m. to 8:30 p.m.**
- **Tuesday, January 14, 2020—8:00 a.m. to 12:00 noon**

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Tuesday, December 31, 2019 until 12:00 noon on Tuesday, January 14, 2020 (24 hours daily, except on Tuesday, January 14, 2020, the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Tuesday, January 14, 2020, the last application day or such later time as described in the paragraph headed "Effect of Bad Weather on the Opening of the Application Lists" in this section.

(1) The times in this sub-section are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed "Personal Data" applies to any personal data held by our Company, the H Share Registrar, the receiving banks, the Sole Global Coordinator, the Underwriters and any of their respective advisors and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Public Offer Shares through the **White Form eIPO** service is also only a facility provided by the **White Form eIPO** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, the Directors, the Sole Sponsor, the Sole Global Coordinator and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **White Form eIPO** service will be allotted any Hong Kong Public Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Center to complete an input request form for **electronic application instructions** before 12:00 noon on Tuesday, January 14, 2020.

HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through **White Form eIPO** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange.

"Statutory control" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

HOW MUCH ARE THE HONG KONG PUBLIC OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for H Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **White Form eIPO** service in respect of a minimum of 2,000 Hong Kong Public Offer Shares. Each application or **electronic application instruction** in respect of more than 2,000 Hong Kong Public Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at **www.eipo.com.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details of the Offer Price, see "Structure of the Global Offering—Pricing of the Global Offering."

EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above;
- a "black" rainstorm warning; or
- Extreme Conditions

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, January 14, 2020. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings or Extreme Conditions in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Tuesday, January 14, 2020 or if there is a tropical cyclone warning signal number 8 or above, a "black" rainstorm warning signal or Extreme Conditions in force in Hong Kong that may affect the dates mentioned in "Expected Timetable," an announcement will be made in such event.

PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Public Offer Shares on Monday, January 20, 2020 in the Hong Kong Economic Times (in Chinese) and on our Company's website at **www.zgclease.com** and the website of the Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company's website at **www.zgclease.com** and the Stock Exchange's website at **www.hkexnews.hk** by no later than 9:00 a.m. on Monday, January 20, 2020;
- from the designated results of allocations website at **www.iporesults.com.hk** (alternatively: English **https://www.eipo.com.hk/en/Allotment**; Chinese **https://www.eipo.com.hk/zh-hk/Allotment**) with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Monday, January 20, 2020 to 12:00 midnight on Sunday, January 26, 2020;
- by telephone enquiry line by calling +852 2862 8669 between 9:00 a.m. and 10:00 p.m. from Monday, January 20, 2020 to Thursday, January 23, 2020;
- in the special allocation results booklets which will be available for inspection during opening hours from Monday, January 20, 2020 to Wednesday, January 22, 2020 at all the receiving bank's designated outlets.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Public Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. For further details of the conditions of the Global Offering, see "Structure of the Global Offering."

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Public Offer Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to **White Form eIPO** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If our Company or its agents exercise their discretion to reject your application:

Our Company, the Sole Global Coordinator, the **White Form eIPO** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Hong Kong Public Offer Shares is void:

The allotment of Hong Kong Public Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the H Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) the Hong Kong Public Offer Shares and International Offer Shares;
- your Application Form is not completed in accordance with the stated instructions;

- your **electronic application instructions** through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions on the designated website;

- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonored upon its first presentation;

- the Underwriting Agreements do not become unconditional or are terminated;

- our Company or the Sole Global Coordinator believes that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or

- your application is for more than approximately 50% of the Hong Kong Public Offer Shares initially offered under the Hong Kong Public Offering (that is 16,666,000 shares).

REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK$1.72 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with the paragraph headed "Structure of the Global Offering—Conditions of the Hong Kong Public Offering" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on or before Monday, January 20, 2020.

DISPATCH/COLLECTION OF H SHARE CERTIFICATES AND REFUND MONIES

You will receive one H Share certificate for all Hong Kong Public Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the H Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- H Share certificate(s) for all the Hong Kong Public Offer Shares allotted to you (for **YELLOW** Application Forms, H Share certificates will be deposited into CCASS as described below); and

- refund cheque(s) crossed "Account Payee Only" in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Public Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Public Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on dispatch/collection of H Share certificates and refund monies as mentioned below, any refund cheques and H Share certificates are expected to be posted on or before Monday, January 20, 2020. The right is reserved to retain any H Share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Tuesday, January 21, 2020 provided that the Global Offering has become unconditional and the right of termination described in "Underwriting" has not been exercised. Investors who trade shares prior to the receipt of H Share certificates or the H Share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Hong Kong Public Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or H Share certificate(s) from our 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, from 9:00 a.m. to 1:00 p.m. on Monday, January 20, 2020 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorize any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the H Share Registrar.

If you do not collect your refund cheque(s) and/or H Share certificate(s) personally within the time specified for collection, they will be dispatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Public Offer Shares, your refund cheque(s) and/or H Share certificate(s) will be sent to the address on the relevant Application Form on or before Monday, January 20, 2020, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Public Offer Shares or more, please follow the same instructions as described above for collecting refund cheque(s). If you have applied for less than 1,000,000 Hong Kong Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on or before Monday, January 20, 2020, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your H Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Monday, January 20, 2020, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS participant (other than a CCASS investor participant)*

For Hong Kong Public Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Public Offer Shares allotted to you with that CCASS participant.

- *If you are applying as a CCASS investor participant*

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in the paragraph headed "Publication of Results" in this section. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Monday, January 20, 2020 or any other date as determined by HKSCC or HKSCC Nominees.

Immediately after the credit of the Hong Kong Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply through White Form eIPO service

If you apply for 1,000,000 Hong Kong Public Offer Shares or more and your application is wholly or partially successful, you may collect your H Share certificate(s) from 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, from 9:00 a.m. to 1:00 p.m. on Monday, January 20, 2020, or such other date as notified by our Company in the newspapers as the date of dispatch/collection of H Share certificates/e-Refund payment instructions/refund cheques.

If you do not collect your H Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Public Offer Shares, your H Share certificate(s) where applicable) will be sent to the address specified in your application instructions on or before Monday, January 20, 2020 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be dispatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be dispatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) If you apply via Electronic Application Instructions to HKSCC

Allocation of Hong Kong Public Offer Shares

For the purposes of allocating Hong Kong Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of H Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your H Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Monday, January 20, 2020, or, on any other date determined by HKSCC or HKSCC Nominees.

- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in the paragraph headed "Publication of Results" in this section on Monday, January 20, 2020. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Monday, January 20, 2020 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Monday, January 20, 2020. Immediately following the credit of the Hong Kong Public Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Monday, January 20, 2020.

ADMISSION OF THE H SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the H Shares and we comply with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the H Shares to be admitted into CCASS.

The following is the text of a report set out on pages I-1 to I-72, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

KPMG

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF ZHONGGUANCUN SCIENCE-TECH LEASING CO., LTD. AND GUOTAI JUNAN CAPITAL LIMITED

Introduction

We report on the historical financial information of Zhongguancun Science-Tech Leasing Co., Ltd. (formerly known as Zhongguancun Science-Tech Leasing Ltd.) (the "Company") and its consolidated structured entities (together, the "Group") set out on pages I-4 to I-72, which comprises the consolidated statements of financial position of the Group and the statements of financial position of the Company as at December 31, 2016, 2017, 2018 and June 30, 2019, and the consolidated statements of profit or loss, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows, for each of the years ended December 31, 2016, 2017, 2018 and the six months ended June 30, 2019 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-72 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated December 31, 2019 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of the Company's and the Group's financial position as at December 31, 2016, 2017 2018 and June 30, 2019, and of the Group's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

Review of stub period corresponding financial information

We have reviewed the stub period corresponding financial information of the Group which comprises 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 six months ended June 30, 2018 and other explanatory information (the "Stub Period Corresponding Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Corresponding Financial Information in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Corresponding Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Corresponding Financial Information, for the purpose of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 23(d) to the Historical Financial Information which contains information about the dividends paid by the Company in respect of the Relevant Periods.

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

December 31, 2019

I HISTORICAL FINANCIAL INFORMATION

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by KPMG Huazhen LLP in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

Expressed in Renminbi ("RMB")

		Year ended December 31,			Six months ended June 30,	
	Note	**2016**	**2017**	**2018**	**2018**	**2019**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Interest income		253,496	283,771	340,571	155,054	204,628
Advisory fee income		64,550	74,810	72,212	25,860	45,423
Revenue	*4*	318,046	358,581	412,783	180,914	250,051
Other net income	*5*	10,631	9,606	16,331	4,582	13,779
Interest expense	*6*	(146,890)	(155,134)	(168,012)	(75,894)	(105,606)
Operating expense	*7*	(47,341)	(56,820)	(74,854)	(33,136)	(43,607)
Impairment losses charged	*8*	(24,073)	(25,969)	(27,364)	(3,292)	(15,549)
Profit before taxation		110,373	130,264	158,884	73,174	99,068
Income tax expense	*9*	(27,750)	(32,829)	(39,888)	(18,334)	(24,855)
Profit for the year/period		82,623	97,435	118,996	54,840	74,213
Attributable to:						
Equity holders of the Company		82,623	97,435	118,996	54,840	74,213
Profit for the year/period		82,623	97,435	118,996	54,840	74,213
Basic and diluted earnings per share (in RMB)	*12*	0.17	0.13	0.12	0.05	0.07

The accompanying notes on pages I-12 to I-72 form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Expressed in RMB

		Year ended December 31,			Six months ended June 30,	
	Note	**2016**	**2017**	**2018**	**2018**	**2019**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*unaudited*)	*RMB'000*
Profit for the year/period		82,623	97,435	118,996	54,840	74,213
Other comprehensive income for the year/period (after tax and reclassification adjustments)	*13*					
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)		375	3,356	1,049	565	60
Total comprehensive income for the year/period		82,998	100,791	120,045	55,405	74,273
Attributable to:						
Equity holders of the Company		82,998	100,791	120,045	55,405	74,273
Total comprehensive income for the year/period		82,998	100,791	120,045	55,405	74,273

The accompanying notes on pages I-12 to I-72 form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Expressed in RMB

	Note	As at December 31,			As at June 30,
		2016	2017	2018	2019
		RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets					
Property and equipment	14	557	523	703	17,881
Intangible assets	15	2,468	2,207	3,450	2,923
Finance lease receivables	16	1,972,367	2,093,432	2,635,559	2,589,860
Financial assets at fair value through other comprehensive income	17	3,501	7,975	9,374	9,454
Other assets	18	256	143	57	27
Deferred tax assets	19(b)	25,657	31,094	36,195	35,456
		2,004,806	2,135,374	2,685,338	2,655,601
Current assets					
Finance lease receivables	16	2,136,685	2,327,712	2,741,235	3,069,544
Other assets	18	164,599	198,529	208,525	136,929
Financial assets at fair value through profit or loss	17	80,000	–	–	–
Pledged and restricted deposits		–	11,920	27,238	2,940
Cash and cash equivalents	20	233,115	326,299	306,620	383,643
		2,614,399	2,864,460	3,283,618	3,593,056
Current liabilities					
Borrowings	21	1,480,472	1,364,511	2,263,118	2,607,609
Income tax payable	19(a)	7,248	19,266	12,397	11,471
Trade and other liabilities	22	381,845	585,468	650,263	576,566
		1,869,565	1,969,245	2,925,778	3,195,646
Net current assets		744,834	895,215	357,840	397,410
Total assets less current liabilities		2,749,640	3,030,589	3,043,178	3,053,011
Non-current liabilities					
Borrowings	21	1,562,808	1,247,754	1,056,629	992,769
Trade and other liabilities	22	554,907	580,119	698,788	733,208
		2,117,715	1,827,873	1,755,417	1,725,977
NET ASSETS		631,925	1,202,716	1,287,761	1,327,034
CAPITAL AND RESERVES	23				
Paid-in capital		500,000	1,000,000	1,000,000	1,000,000
Reserves		131,925	202,716	287,761	327,034
TOTAL EQUITY		631,925	1,202,716	1,287,761	1,327,034

The accompanying notes on pages I-12 to I-72 form part of the Historical Financial Information.

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

Expressed in RMB

	Note	As at December 31, 2016	As at December 31, 2017	As at December 31, 2018	As at June 30, 2019
		RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets					
Property and equipment	14	557	523	703	17,881
Intangible assets	15	2,468	2,207	3,450	2,923
Finance lease receivables	16	1,972,367	2,093,432	2,635,559	2,589,860
Financial assets at fair value through other comprehensive income	17	3,501	7,975	9,374	9,454
Other assets	18	256	143	57	27
Deferred tax assets	19(b)	25,657	31,094	36,195	35,456
		2,004,806	2,135,374	2,685,338	2,655,601
Current assets					
Finance lease receivables	16	2,136,685	2,327,712	2,741,235	3,069,544
Other assets	18	164,599	198,529	208,525	136,929
Financial assets at fair value through profit or loss	17	80,000	–	–	–
Pledged and restricted deposits		–	11,920	27,238	2,940
Cash and cash equivalents	20	232,966	326,042	306,613	383,626
		2,614,250	2,864,203	3,283,611	3,593,039
Current liabilities					
Borrowings	21	1,480,472	1,364,511	2,263,118	2,607,609
Income tax payable	19(a)	7,248	19,266	12,397	11,471
Trade and other liabilities	22	381,845	585,468	650,263	576,566
		1,869,565	1,969,245	2,925,778	3,195,646
Net current assets		744,685	894,958	357,833	397,393
Total assets less current liabilities		2,749,491	3,030,332	3,043,171	3,052,994
Non-current liabilities					
Borrowings	21	1,562,808	1,247,754	1,056,629	992,769
Trade and other liabilities	22	554,907	580,119	698,788	733,208
		2,117,715	1,827,873	1,755,417	1,725,977
NET ASSETS		631,776	1,202,459	1,287,754	1,327,017
CAPITAL AND RESERVES	23				
Paid-in capital		500,000	1,000,000	1,000,000	1,000,000
Reserves		131,776	202,459	287,754	327,017
TOTAL EQUITY		631,776	1,202,459	1,287,754	1,327,017

The accompanying notes on pages I-12 to I-72 form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Expressed in RMB

		Attributable to equity holders of the Company					
	Note	**Paid-in capital**	**Surplus reserve**	**Fair value reserve**	**General reserve**	**Retained profits**	**Total equity**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2016		500,000	14,797	–	–	64,130	578,927
Changes in equity for 2016:							
Profit for the year		–	–	–	–	82,623	82,623
Other comprehensive income		–	–	375	–	–	375
Total comprehensive income		–	–	375	–	82,623	82,998
Appropriation to statutory reserve	*23(c)(i)*	–	8,745	–	–	(8,745)	–
Dividends approved in respect of the previous year	*23(d)*	–	–	–	–	(30,000)	(30,000)
At December 31, 2016		500,000	23,542	375	–	108,008	631,925
At January 1, 2017		500,000	23,542	375	–	108,008	631,925
Changes in equity for 2017:							
Profit for the year		–	–	–	–	97,435	97,435
Other comprehensive income		–	–	3,356	–	–	3,356
Total comprehensive income		–	–	3,356	–	97,435	100,791
Capital injection	*23(b)*	500,000	–	–	–	–	500,000
Appropriation to statutory reserve	*23(c)(i)*	–	9,399	–	–	(9,399)	–
Appropriation to general reserve	*23(c)(iii)*	–	–	–	18,798	(18,798)	–
Dividends approved in respect of the previous year	*23(d)*	–	–	–	–	(30,000)	(30,000)
At December 31, 2017		1,000,000	32,941	3,731	18,798	147,246	1,202,716

The accompanying notes on pages I-12 to I-72 form part of the Historical Financial Information.

	Note	Attributable to equity holders of the Company					
		Paid-in capital	Surplus reserve	Fair value reserve	General reserve	Retained profits	Total equity
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2018		1,000,000	32,941	3,731	18,798	147,246	1,202,716
Changes in equity for 2018:							
Profit for the year		–	–	–	–	118,996	118,996
Other comprehensive income		–	–	1,049	–	–	1,049
Total comprehensive income		–	–	1,049	–	118,996	120,045
Appropriation to statutory reserve	*23(c)(i)*	–	12,455	–	–	(12,455)	–
Appropriation to general reserve	*23(c)(iii)*	–	–	–	24,909	(24,909)	–
Dividends approved in respect of the previous year	*23(d)*	–	–	–	–	(35,000)	(35,000)
At December 31, 2018		1,000,000	45,396	4,780	43,707	193,878	1,287,761
At January 1, 2018		1,000,000	32,941	3,731	18,798	147,246	1,202,716
Changes in equity for 2018:							
Profit for the period		–	–	–	–	54,840	54,840
Other comprehensive income		–	–	565	–	–	565
Total comprehensive income for the period		–	–	565	–	54,840	55,405
At June 30, 2018 (unaudited)		1,000,000	32,941	4,296	18,798	202,086	1,258,121
At January 1, 2019		1,000,000	45,396	4,780	43,707	193,878	1,287,761
Changes in equity for 2019:							
Profit for the period		–	–	–	–	74,213	74,213
Other comprehensive income		–	–	60	–	–	60
Total comprehensive income for the period		–	–	60	–	74,213	74,273
Dividends approved in respect of the previous year	*23(d)*	–	–	–	–	(35,000)	(35,000)
At June 30, 2019		1,000,000	45,396	4,840	43,707	233,091	1,327,034

The accompanying notes on pages I-12 to I-72 form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Expressed in RMB

	Note	Year ended December 31,			Six months ended June 30,	
		2016	2017	2018	2018	2019
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Operating activities						
Profit before taxation		110,373	130,264	158,884	73,174	99,068
Adjustments for:						
Investment income	5	(149)	(1,559)	(1)	–	–
Interest expense	6	146,890	155,134	168,012	75,894	105,606
Depreciation and amortisation	7(b)	1,720	753	764	340	680
Impairment losses charged	8	24,073	25,969	27,364	3,292	15,549
(Gains)/losses on disposal of equipment		–	–	(14)	(13)	3
Operating profit before changes in working capital		282,907	310,561	355,009	152,687	220,906
Changes in working capital						
(Increase)/decrease in pledged and restricted deposits		–	(11,920)	(15,318)	8,720	24,298
(Increase)/decrease in finance lease receivables		(1,062,222)	(337,375)	(982,686)	27,305	(299,151)
(Increase)/decrease in trade and other receivables		(76,817)	(32,685)	(10,359)	(43,154)	81,660
Increase/(decrease) in trade and other liabilities		448,293	212,297	163,562	(242,498)	(111,623)
Cash (used in)/generated from operations		(407,839)	140,878	(489,792)	(96,940)	(83,910)
PRC income taxes paid	19(a)	(36,255)	(27,366)	(52,208)	(29,846)	(25,062)
Net cash (used in)/generated from operating activities		(444,094)	113,512	(542,000)	(126,786)	(108,972)
Investing activities						
Proceeds from disposal and redemption of investments		83,149	435,559	317,149	–	314,361
Proceeds from disposal of equipment		–	–	30	26	–
Payments on acquisition of investments		(166,000)	(354,000)	(317,382)	–	(314,269)
Payment for purchase of equipment and intangible assets		(2,047)	(404)	(1,232)	(14)	(1,449)
Net cash (used in)/generated from investing activities		(84,898)	81,155	(1,435)	12	(1,357)

The accompanying notes on pages I-12 to I-72 form part of the Historical Financial Information.

	Note	Year ended December 31, 2016	2017	2018	Six months ended June 30, 2018	2019
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Financing activities						
Capital element of lease rentals paid	*20(b)*	–	–	–	–	(4,666)
Proceeds from capital injection	*23(b)*	–	500,000	–	–	–
Proceeds from borrowings	*20(b)*	2,294,642	1,357,930	2,378,638	686,800	1,290,578
Repayment of borrowings	*20(b)*	(1,568,127)	(1,789,894)	(1,670,369)	(673,529)	(1,009,865)
Dividends paid to equity holders of the Company	*23(d)*	(30,000)	(30,000)	(35,000)	–	–
Interest element of lease rentals paid	*20(b)*	–	–	–	–	(455)
Payments for listing expenses	*20(b)*	–	–	–	–	(3,325)
Interest paid	*20(b)*	(135,067)	(138,333)	(144,252)	(48,944)	(81,480)
Other borrowing costs paid	*20(b)*	(4,183)	(1,186)	(5,261)	(1,694)	(3,435)
Net cash generated from/(used in) financing activities		557,265	(101,483)	523,756	(37,367)	187,352
Net increase/(decrease) in cash and cash equivalents		28,273	93,184	(19,679)	(164,141)	77,023
Cash and cash equivalents at the beginning of the year/period		204,842	233,115	326,299	326,299	306,620
Cash and cash equivalents at the end of the year/period	*20(a)*	233,115	326,299	306,620	162,158	383,643

The accompanying notes on pages I-12 to I-72 form part of the Historical Financial Information.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

Expressed in RMB unless otherwise indicated

1 BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

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.

The Company is principally engaged in the provision of finance lease and related consulting services across the PRC. The Company and the consolidated structured entities (Note 27) are collectively referred to as the "Group".

The statutory financial statements of the Company for the years ended December 31, 2016, 2017 and 2018 were prepared in accordance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC. The statutory financial statements of the consolidated structured entities for the years ended December 31, 2016, 2017 and 2018 in their setup periods which are from the dates of incorporation till their liquidations, were prepared in accordance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC.

During the Relevant Periods, the Company has direct interests in the following structured entities:

Structured entity name	Date of incorporation	Raised funds	Proportion of ownership interest held by the Company	Name of statutory auditor
		RMB'000		
SPV-ABS Phase I	August 26, 2015	553,000	100%	Deloitte Touche Tohmatsu Certified Public Accountants LLP
SPV-ABS Phase II	August 18, 2016	576,000	100%	Deloitte Touche Tohmatsu Certified Public Accountants LLP
SPV-ABS Phase III	October 26, 2018	681,000	100%	Ernst&Young Hua Ming LLP

The Company and its consolidated structured entities comprising the Group have adopted December 31 as their financial year end date.

The Historical Financial Information has 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 and Interpretations issued by the International Accounting Standards Board (the "IASB"). Further details of the significant accounting policies adopted are set out in Note 2.

The IASB has issued a number of new and revised IFRSs. For the purpose of preparing and presenting the Historical Financial Information for the Relevant Periods, the Group has consistently applied all IFRSs, which are effective for the accounting period beginning on January 1, 2019 throughout the Relevant Periods, including IFRS 9, *Financial Instruments* and IFRS 15, *Revenue from contracts with customers* but except for IFRS 16, *Leases,* which has been adopted since January 1, 2019. The revised and new accounting standards and interpretations but not yet effective from the period beginning January 1, 2019 are set out in Note 29.

The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The Stub Period Corresponding Financial Information has been prepared in accordance with the same basis of preparation and presentation adopted in respect of the Historical Financial Information.

(a) Changes in accounting policies

The Group has initially adopted IFRS 16, *Leases* from January 1, 2019. The details of the changes in accounting policies are disclosed below.

IFRS 16, Leases

IFRS 16 replaces IAS 17, *Leases*, and the related interpretations, IFRIC 4, *Determining whether an arrangement contains a lease*, SIC 15, *Operating leases – incentives*, and SIC 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low-value assets. The lessor accounting requirements are brought forward from IAS 17 substantially unchanged.

IFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Group has initially applied IFRS 16 as from January 1, 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at January 1, 2019. The Historical Financial Information as at and for the years ended December 31, 2016, 2017 and 2018 and for the six months ended June 30, 2018 has not been restated and continues to be reported under IAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

a. New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. IFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. 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.

The Group applies the new definition of a lease in IFRS 16 only to contracts that were entered into or changed on or after January 1, 2019. For contracts entered into before January 1, 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under IAS 17 continue to be accounted for as leases under IFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

b. Lessee accounting and transitional impact

IFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by IAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under IAS 17, other than those short-term leases and leases of low-value assets which are exempt. As far as the Group is concerned, these newly capitalised leases are primarily in relation to property and equipment as disclosed in Note 25(c). For an explanation of how the Group applies lessee accounting, see Note 2(f)(i).

At the date of transition to IFRS 16 (i.e. January 1, 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at January 1, 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 4.75%.

To ease the transition to IFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of IFRS 16:

(i) the Group elected not to apply the requirements of IFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of IFRS 16, i.e. where the lease term ends on or before December 31, 2019;

(ii) when measuring the lease liabilities at the date of initial application of IFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment); and

(iii) when measuring the right-of-use assets at the date of initial application of IFRS 16, the Group relied on the previous assessment for onerous contract provisions as at December 31, 2018 as an alternative to performing an impairment review.

The following table reconciles the operating lease commitments as disclosed in Note 25(c) as at December 31, 2018 to the opening balance for lease liabilities recognised as at January 1, 2019:

	January 1, 2019
	RMB'000
Operating lease commitment at December 31, 2018	24,551
Less: effect of value-added tax	(1,936)
	22,615
Less: total future interest expenses	(1,244)
Lease liabilities recognised at January 1, 2019	21,371

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities.

The Group did not have any leases previously classified as finance leases at the date of initial application of IFRS 16.

The following table summarises the impacts of the adoption of IFRS 16 on the consolidated statement of financial position and the statement of financial position:

The Group

	Carrying amount at December 31, 2018	**Capitalisation of operating lease contracts**	**Carrying amount at January 1, 2019**
	RMB'000	*RMB'000*	*RMB'000*
Line items in the consolidated statement of financial position impacted by the adoption of IFRS 16:			
Property and equipment	703	21,371	22,074
Total non-current assets	**2,685,338**	**21,371**	**2,706,709**
Trade and other liabilities (current)	650,263	6,827	657,090
Current liabilities	**2,925,778**	**6,827**	**2,932,605**
Net current assets	**357,840**	**(6,827)**	**351,013**
Total assets less current liabilities	**3,043,178**	**14,544**	**3,057,722**
Trade and other liabilities (non-current)	698,788	14,544	713,332
Total non-current liabilities	**1,755,417**	**14,544**	**1,769,961**
Net assets	**1,287,761**	**–**	**1,287,761**

The Company

	Carrying amount at December 31, 2018	Capitalisation of operating lease contracts	Carrying amount at January 1, 2019
	RMB'000	*RMB'000*	*RMB'000*
Line items in the statement of financial position impacted by the adoption of IFRS 16:			
Property and equipment	703	21,371	22,074
Total non-current assets	**2,685,338**	**21,371**	**2,706,709**
Trade and other liabilities (current)	650,263	6,827	657,090
Current liabilities	**2,925,778**	**6,827**	**2,932,605**
Net current assets	**357,833**	**(6,827)**	**351,006**
Total assets less current liabilities	**3,043,171**	**14,544**	**3,057,715**
Trade and other liabilities (non-current)	698,788	14,544	713,332
Total non-current liabilities	**1,755,417**	**14,544**	**1,769,961**
Net assets	**1,287,754**	**–**	**1,287,754**

c. Impact on the financial result and cash flows of the Group

After the initial recognition of right-of-use assets and lease liabilities as at January 1, 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a positive impact on the reported profit from operations in the Group's consolidated statement of profit or loss, as compared to the results if IAS 17 had been applied during the year.

In the consolidated statement of cash flows, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element (see Note 20(b)). These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under IAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under IAS 17.

The following tables give an indication of the estimated impact of the adoption of IFRS 16 on the Group's financial result and cash flows for the six months ended June 30, 2019, by adjusting the amounts reported under IFRS 16 in these consolidated financial statements to compute estimates of the hypothetical amounts that would have been recognised under IAS 17 if this superseded standard had continued to apply in 2019 instead of IFRS 16, and by comparing these hypothetical amounts for the six months ended June 30, 2019 with the actual corresponding amounts for the six months ended June 30, 2018 which were prepared under IAS 17.

	Six months ended June 30, 2019				Six months ended June 30, 2018
	Amounts reported under IFRS 16 (A)	Add back: IFRS 16 depreciation and interest expense (B)	Deduct: Estimated amounts related to operating leases as if under IAS 17 (Note 1) (C)	Hypothetical amounts as if under IAS 17 (D=A+B+C)	Compared to amounts reported under IAS 17
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Financial result for six months ended June 30, 2019 impacted by the adoption of IFRS 16:					
Profit before taxation	99,068	4,815	(5,121)	98,762	73,174
Profit for the period	74,213	4,815	(5,121)	73,907	54,840

	Six months ended June 30, 2019			Six months ended June 30, 2018
	Amounts reported under IFRS 16 (A)	Estimated amounts related to operating leases as if under IAS 17 (Notes 1&2) (B)	*Hypothetical amounts* as if under IAS 17 (C=A+B)	Compared to amounts reported under IAS 17
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Line items in the consolidated statement of cash flows for six months ended June 30, impacted by the adoption of IFRS 16:				
Cash (used in)/generated from operations	(83,910)	(5,121)	(89,031)	(96,940)
Net cash (used in)/generated from operating activities	**(108,972)**	**(5,121)**	**(114,093)**	**(126,786)**
Capital element of lease rentals paid	(4,666)	4,666	–	–
Interest element of lease rentals paid	(455)	455	–	–
Net cash generated from/(used in) financing activities	**187,352**	**5,121**	**192,473**	**(37,367)**

Note 1: The "estimated amounts related to operating leases" is an estimate of the amounts of the cash flows during the six months ended June 30, 2019 that relate to leases which would have been classified as operating leases, if IAS 17 had still applied in 2019. This estimate assumes that there were no differences between rentals and cash flows and that all of the new leases entered into during the six months ended June 30, 2019 would have been classified as operating leases under IAS 17, if IAS 17 had still applied in 2019. Any potential net tax effect is ignored.

Note 2: In this impact table these cash outflows are reclassified from financing to operating in order to compute hypothetical amounts of net cash generated from operating activities and net cash used in financing activities as if IAS 17 still applied.

d. Lessor accounting

The Group leases out a number of items of machinery as the lessor of financing leases. The accounting policies applicable to the Group as a lessor remain substantially unchanged from those under IAS 17. The adoption of IFRS 16 does not have a significant impact on the Group's financial statements in this regard.

2 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in the Historical Financial Information, unless otherwise stated.

(a) Basis of measurement

The Historical Financial Information is presented in RMB is the functional currency and the reporting currency for the Company.

The measurement basis used in the preparation of the Historical Financial Information is the historical cost basis except that financial assets classified at fair value through profit or loss ("FVTPL") and fair value through other comprehensive income ("FVOCI") are stated at their fair value as explained in Note 2(g).

(b) Use of estimates and judgments

The preparation of Historical Financial Information in conformity with IFRSs requires management to make judgments, 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 judgments 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.

Judgments 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 3.

(c) 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 Historical Financial Information 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 Historical Financial Information. 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.

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 holders 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 holders 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 2(g) 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 2(g)) or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

In the Company's statement of financial position, an investment in a consolidated structured entity is stated at cost less impairment losses (see Note 2(m)), unless the investment is classified as held for sale.

(d) Property and equipment

Items of property and equipment are stated at cost less accumulated depreciation and impairment losses (see Note 2(m)).

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

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

– The Group's leased assets are depreciated over the shorter of the unexpired term of lease and the leased assets' estimated useful lives.	
– Electronic equipment	3 years
– Office equipment	5 years
– Others	5-10 years

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

(e) 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 2(m)). 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	5 to 10 years

Both the period and method of amortization are reviewed annually.

(f) Leases

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.

(i) As a lessee

(A) Policy applicable from January 1, 2019

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 2(m)).

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 Group presents right-of-use assets that do not meet the definition of investment property in 'property and equipment' and presents lease liabilities separately in the statement of financial position.

(B) Policy applicable prior to January 1, 2019

Prior to January 1, 2019, as a lessee the Group classified leases as finance leases if the leases transferred substantially all the risks and rewards of ownership to the Group. Leases which did not transfer substantially all the risks and rewards of ownership to the Group were classified as operating leases.

Where the Group acquired the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets were recognised as property and equipment and the corresponding liabilities, net of finance charges, were recorded as obligations under finance leases. Depreciation was provided at rates which wrote off the cost or valuation of the assets over the term of the relevant lease or, where it was likely the Group would obtain ownership of the asset, the life of the asset, as set out in Note 2(d). Impairment losses were accounted for in accordance with the accounting policy as set out in Note 2(m). Finance charges implicit in the lease payments were charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals were charged to profit or loss in the accounting period in which they were incurred.

Where the Group had the use of assets held under operating leases, payments made under the leases were charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis was more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received were recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals were charged to profit or loss in the accounting period in which they were incurred.

(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 2(f)(i), then the Group classifies the sub-lease as an operating lease.

(g) Financial instruments

(i) Recognition and initial measurement

Financial instruments are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at FVTPL for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see Note 24(d). These investments are subsequently accounted for as follows, depending on their classification.

(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.

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.

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.

(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).

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

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

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

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

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

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

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

ECLs are measured on either of the following bases:

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

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

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

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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 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.

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 2(q)(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.

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.

(h) 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.

(i) Trade and other receivables

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

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see Note 2(g)(v)).

(j) 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 2(g)(v).

(k) Trade and other payables

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

(l) 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 2(r)).

(m) 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; and

– intangible assets.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– ***Recognition of impairment losses***

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable), or value in use if determinable.

– ***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.

(n) Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(ii) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit or loss in the periods during which related services are rendered by employees.

(iii) Termination benefits

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the end of the Relevant Periods, then they are discounted to their present value.

(o) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax assets can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credit, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

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.

(p) 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.

(q) Revenue recognition

Income is classified by the Group as revenue when it arises from the sale of goods, the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in paragraph 63 of IFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Interest income

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see Note 2(g)(ii)).

(ii) Advisory fee income

Depending on the nature of advisory services and the contract terms, advisory fee income is recognised at a point in time when the advisory service is completed.

(iii) Government grants

Government grants are recognised in the consolidated statements of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the assets and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(r) Borrowing costs

Borrowing costs are expensed in the period in which they are incurred.

(s) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) One entity is an associate or joint venture 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.

(t) Segment reporting

Operating segments, and the amounts of each segment item reported in the Historical Financial Information, 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.

For the Relevant Periods, 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.

3 ACCOUNTING JUDGEMENT AND ESTIMATES

In the process of applying the Group's accounting policies, management has made the following accounting judgements:

– Note 2(g)(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 2(g)(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.

– Note 2(g)(v): impairment of financial instruments: determining inputs into the ECL measurement model, including incorporation of forward-looking information.

– Deferred tax assets arising from deductible temporary differences are recognised to the extent that it is probable that future taxable income will be available against which deductible temporary differences and tax losses can be utilised. The outcome of their actual utilisation may be different.

– There are no quoted prices from an active market for FVTPL and 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.

4 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 Relevant Periods, 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:

		Year ended December 31,			Six months ended June 30,	
	Note	**2016**	**2017**	**2018**	**2018**	**2019**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Interest income from finance leases		253,496	283,771	340,571	155,054	204,628
Advisory fee income	*(i)*					
– Management advisory fee income		20,403	21,415	27,860	8,417	8,585
– Policy advisory fee income		44,147	53,395	44,352	17,443	36,838
		318,046	358,581	412,783	180,914	250,051

Note:

(i) Advisory fee income arises from contracts with customers within the scope of IFRS 15, and is recognised at a point in time.

5 OTHER NET INCOME

		Year ended December 31,			Six months ended June 30,	
	Note	**2016**	**2017**	**2018**	**2018**	**2019**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Investment income from wealth management products		149	1,559	1	–	–
Government grants	*(i)*	5,000	5,000	12,791	2,905	11,542
Interest from deposits		2,452	3,047	3,417	1,556	1,727
Others		3,030	–	122	121	510
		10,631	9,606	16,331	4,582	13,779

Note:

(i) The government grants were provided to support small and medium enterprises of leasing business, to reward enterprises who develop leasing business based on internet technology and to support enterprises' innovative culture in leasing business. The grants were unconditional and were therefore recognised as income when received.

6 INTEREST EXPENSE

	Year ended December 31,			Six months ended June 30,	
	2016	2017	2018	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Borrowings	68,939	56,478	67,311	24,067	49,658
Borrowings from related parties	54,887	69,822	69,173	37,064	37,676
Imputed interest expense on interest-free guaranteed deposits from lessees	23,064	28,834	31,528	14,763	17,817
Interest expense on lease liabilities	–	–	–	–	455
	146,890	155,134	168,012	75,894	105,606

7 OPERATING EXPENSE

Profit before taxation is arrived at after charging/(crediting):

(a) Staff cost

	Year ended December 31,			Six months ended June 30,	
	2016	2017	2018	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Salaries, bonuses and allowances	23,500	31,294	38,329	17,742	25,021
Social insurance and other benefits	5,883	6,974	10,840	4,580	6,251
Subtotal	29,383	38,268	49,169	22,322	31,272

(b) Other items

	Note	Year ended December 31, 2016 RMB'000	2017 RMB'000	2018 RMB'000	Six months ended June 30, 2018 RMB'000 (unaudited)	2019 RMB'000
Depreciation charge						
– owned equipment		313	278	244	124	123
– right-of-use assets		–	–	–	–	4,360
Amortisation cost of						
– intangible assets		123	261	394	131	527
– others		1,284	214	126	85	30
Total minimum lease payments for leases previously classified as operating leases under IAS 17	*(i)*	5,400	3,397	9,041	5,514	–
Auditor's remuneration		80	80	75	75	377
Other rental expenses		205	2,136	436	210	979

Note:

(i) The Group has initially applied IFRS 16 using the modified retrospective approach and adjusted the opening balances at January 1, 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under IAS 17. After initial recognition of right-of-use assets at January 1, 2019, the Group as a lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, as at and for the years ended December 31, 2016, 2017, 2018 and for the six months ended June 30, 2018 is not restated. See Note 1(a).

8 Impairment losses charged

	Note	Year ended December 31, 2016 RMB'000	2017 RMB'000	2018 RMB'000	Six months ended June 30, 2018 RMB'000 (unaudited)	2019 RMB'000
Finance lease receivables	*16(b)*	23,864	25,283	27,036	3,467	16,541
Credit commitments	*22(a)*	209	686	328	(175)	(992)
		24,073	25,969	27,364	3,292	15,549

9 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

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

	Note	Year ended December 31,			Six months ended June 30,	
		2016	2017	2018	2018	2019
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Current tax						
– PRC Enterprise Income Tax ("EIT") Provision for the year/period		32,758	39,264	45,376	20,151	24,136
Deferred income tax						
– (Origination)/reversal of temporary differences	*19(b)*	(5,023)	(6,555)	(5,451)	(1,817)	719
Under/(over)-provision in respect of prior year		15	120	(37)	–	–
		27,750	32,829	39,888	18,334	24,855

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	Note	Year ended December 31,			Six months ended June 30,	
		2016	2017	2018	2018	2019
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Profit before taxation		110,373	130,264	158,884	73,174	99,068
Notional tax on profit before taxation, calculated at the rates applicable in the jurisdictions concerned		27,593	32,566	39,721	18,293	24,767
Tax effect of non-deductible expenses	*(i)*	160	169	142	75	90
Under/(over)-provision in respect of prior year/period		15	120	(37)	–	–
Others		(18)	(26)	62	(34)	(2)
Income tax expense for the year/period		27,750	32,829	39,888	18,334	24,855

Notes:

(i) Non-deductible expenses mainly consist of entertainment, which exceed the tax deduction limits in accordance with PRC tax regulations.

(ii) The Company is subject to PRC EIT at the statutory rate of 25%. The consolidated structured entities are not subject to PRC EIT.

(iii) 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 during the Relevant Periods.

10 DIRECTORS' AND SUPERVISORS' REMUNERATION

Directors' and supervisors' remuneration is as follows:

	Year ended December 31, 2016				
	Fees	**Salaries, allowances and benefits in kind**	**Discretionary bonuses**	**Retirement scheme contributions**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-executive directors					
Zhang Xingsheng (張興勝) (resigned on April 5, 2016)	–	–	–	–	–
Zhou Yunfan (周雲帆) (assigned on April 5, 2016)	–	–	–	–	–
Li Yan (李妍)	–	–	–	–	–
Sheng Zijin (盛紫瑾)	–	–	–	–	–
Mu Yingjie (慕英傑) (resigned on April 5, 2016)	–	–	–	–	–
Yan Maiying (閻麥英) (assigned on April 5, 2016)	–	–	–	–	–
Zhang Wei (張維)	–	–	–	–	–
Chen Aijun (陳愛君) (resigned on April 5, 2016)	–	–	–	–	–
Chen Gang (陳剛) (assigned on April 5, 2016)	–	–	–	–	–
He Yuanping (何願平)	–	–	–	–	–
Supervisors					
Yang Yanwen (楊彥文)	–	–	–	–	–
Xu Yong (徐勇) (resigned on April 5, 2016)	–	–	–	–	–
Shen Junyao (申珺瑤) (assigned on April 5, 2016, and resigned on November 14, 2016)	–	–	–	–	–
Dou Jiyan (竇繼岩) (resigned on April 5, 2016)	–	95	289	–	384
Liu Shouquan (劉守泉) (assigned on April 5, 2016)	–	528	–	–	528
Chen Gang (陳剛) (assigned on November 14, 2016)	–	–	–	–	–
Total	–	623	289	–	912

	Year ended December 31, 2017				
	Fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-executive directors					
Zhou Yunfan (周雲帆) (resigned on August 4, 2017)	–	–	–	–	–
Li Yan (李妍) (resigned on November 27, 2017)	–	–	–	–	–
Zhang Zhe (張哲) (assigned on August 4, 2017)	–	–	–	–	–
Sheng Zijin (盛紫瑾) (resigned on November 27, 2017)	–	–	–	–	–
Xu Junhua (許均華) (assigned on November 27, 2017)	–	–	–	–	–
Yang Yanwen (楊彥文) (assigned on November 27, 2017)	–	–	–	–	–
Yan Maiying (閻麥英) (resigned on November 27, 2017)	–	–	–	–	–
Tian Anping (田安平) (assigned on November 27, 2017)	–	–	–	–	–
Zhang Wei (張維)	–	–	–	–	–
Chen Gang (陳剛)	–	–	–	–	–
He Yuanping (何願平)	–	–	–	–	–
Supervisors					
Yang Yanwen (楊彥文) (resigned on November 27, 2017)	–	–	–	–	–
Wei Tingquan (韋廷權) (assigned on November 27, 2017)	–	–	–	–	–
Chen Gang (陳剛)	–	–	–	–	–
Liu Shouquan (劉守泉)	–	844	196	–	1,040
Total	–	844	196	–	1,040

	Year ended December 31, 2018				
	Fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-executive directors					
Zhang Zhe (張哲)	–	–	–	–	–
Xu Junhua (許均華)	–	–	–	–	–
Yang Yanwen (楊彥文)	–	–	–	–	–
Tian Anping (田安平)	–	–	–	–	–
Zhang Wei (張維) (resigned on January 29, 2018)	–	–	–	–	–
Li Peng (李鵬) (assigned on January 29, 2018)	–	–	–	–	–
Chen Gang (陳剛)	–	–	–	–	–
He Yuanping (何願平)	–	–	–	–	–
Supervisors					
Wei Tingquan (韋廷權)	–	–	–	–	–
Chen Gang (陳剛)	–	–	–	–	–
Liu Shouquan (劉守泉)	–	510	340	–	850
Total	–	510	340	–	850

	Six months ended June 30, 2018 (unaudited)				
	Fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-executive directors					
Zhang Zhe (張哲)	–	–	–	–	–
Xu Junhua (許均華)	–	–	–	–	–
Yang Yanwen (楊彥文)	–	–	–	–	–
Tian Anping (田安平)	–	–	–	–	–
Zhang Wei (張維) (resigned on January 29, 2018)	–	–	–	–	–
Li Peng (李鵬) (assigned on January 29, 2018)	–	–	–	–	–
Chen Gang (陳剛)	–	–	–	–	–
He Yuanping (何願平)	–	–	–	–	–
Supervisors					
Wei Tingquan (韋廷權)	–	–	–	–	–
Chen Gang (陳剛)	–	–	–	–	–
Liu Shouquan (劉守泉)	–	274	340	–	614
Total	–	274	340	–	614

	Six months ended June 30, 2019				
	Fees	**Salaries, allowances and benefits in kind**	**Discretionary bonuses**	**Retirement scheme contributions**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-executive directors					
Zhang Zhe (張哲)	–	–	–	–	–
Xu Junhua (許均華) (resigned on February 22, 2019)	–	–	–	–	–
Yang Yanwen (楊彥文)	–	–	–	–	–
Dong Xiaoyu (董曉宇) (assigned on February 22, 2019)	–	–	–	–	–
Tian Anping (田安平)	–	–	–	–	–
Li Peng (李鵬)	–	–	–	–	–
Chen Gang (陳剛)	–	–	–	–	–
He Yuanping (何願平)	–	–	–	–	–
Supervisors					
Wei Tingquan (韋廷權)	–	–	–	–	–
Chen Gang (陳剛)	–	–	–	–	–
Liu Shouquan (劉守泉)	–	567	300	–	867
Total	–	567	300	–	867

None of the directors or supervisors (except Dou Jiyan (竇繼岩) and Liu Shouquan (劉守泉)) received any fees or emoluments in respect of their services to the Company during the Relevant Periods as they were paid by the Company's shareholders.

During the Relevant Periods, there were no amounts paid or payable by the Group to the directors, supervisors or any of the highest paid individuals set out in Note 11 below as an inducement to join or upon joining the Group or as a compensation for loss of office. There was no arrangement under which a director or a supervisor waived or agreed to waive any remuneration during the Relevant Periods.

11 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, there was no director of the Group for each of the years ended December 31, 2016, 2017, 2018 and the six months ended June 30, 2018 (unaudited) and 2019, there was one, one, nil, one and one supervisor of the Group for each of the years ended December 31, 2016, 2017, 2018 and the six months ended June 30, 2018 (unaudited) and 2019, respectively, whose emoluments are disclosed in Note 10.

The aggregate of the emoluments in respect of the other individuals for the years ended December 31, 2016, 2017, 2018 and the six months ended June 30, 2018 (unaudited) and 2019 are as follows:

	Year ended December 31,			Six months ended June 30,	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Salaries, allowances and benefits in kind	1,941	3,125	3,540	1,314	1,700
Discretionary bonuses	1,259	2,220	2,037	1,849	1,860
Total	3,200	5,345	5,577	3,163	3,560

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

	Year ended December 31,			Six months ended June 30,	
	2016	2017	2018	2018	2019
	Number of individuals	Number of individuals	Number of individuals	Number of individuals	Number of individuals
				(unaudited)	
Nil – HKD1,000,000	3	–	–	3	3
HKD1,000,001 – HKD1,500,000	1	3	4	1	1
HKD1,500,001 – HKD2,000,000	–	–	1	–	–
HKD2,000,001 – HKD2,500,000	–	–	–	–	–
HKD2,500,001 – HKD3,000,000	–	1	–	–	–

12 BASIC AND DILUTED EARNINGS PER SHARE

	Year ended December 31,			Six months ended June 30,	
	2016	2017	2018	2018	2019
				(unaudited)	
Profit attributable to equity holders of the Company (RMB'000)	82,623	97,435	118,996	54,840	74,213
Weighted average number of ordinary shares (in thousands)	500,000	770,822	1,000,000	1,000,000	1,000,000
Basic and diluted earnings per share attributable to equity holders of the Company (in RMB per share)	0.17	0.13	0.12	0.05	0.07

There is no difference between basic and diluted earnings per share as there were no potentially dilutive shares outstanding during the Relevant Periods.

Weighted average number of ordinary shares (in thousands)

	Year ended December 31,			Six months ended June 30,	
	2016	2017	2018	2018	2019
				(unaudited)	
Issued ordinary shares at January 1	500,000	500,000	1,000,000	1,000,000	1,000,000
Effect of shares issued	–	270,822	–	–	–
Weighted average number of ordinary shares at December 31/June 30	500,000	770,822	1,000,000	1,000,000	1,000,000

Basic and diluted earnings per share have been computed by taking into account of the capital injected by the investors during the Relevant Periods as disclosed in Note 23(b).

13 OTHER COMPREHENSIVE INCOME

	Year ended December 31, 2016			Year ended December 31, 2017			Year ended December 31, 2018		
	Before-tax amount	Tax expense	Net-of-Tax amount	Before-tax amount	Tax expense	Net-of-Tax amount	Before-tax amount	Tax expense	Net-of-Tax amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Equity investments at FVOCI: net movement in fair value reserve (non-recycling)	500	(125)	375	4,474	(1,118)	3,356	1,399	(350)	1,049

	Six months ended June 30, 2018 (unaudited)			Six months ended June 30, 2019		
	Before-tax amount	Tax expense	Net-of-Tax amount	Before-tax amount	Tax expense	Net-of-Tax amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Equity investments at FVOCI: net movement in fair value reserve (non-recycling)	753	(188)	565	80	(20)	60

14 PROPERTY AND EQUIPMENT

The Group and the Company

	Other properties leased for own use carried at cost	Electronic equipment	Office equipment	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost					
As at January 1, 2016	–	781	530	36	1,347
Additions	–	72	1	–	73
As at December 31, 2016/ January 1, 2017	–	853	531	36	1,420
Additions	–	223	21	–	244
As at December 31, 2017/ January 1, 2018	–	1,076	552	36	1,664
Additions	–	18	325	97	440
Disposals	–	(198)	(38)	–	(236)
As at December 31, 2018	–	896	839	133	1,868
Impact on initial application of IFRS 16 *(Note i, ii, iii)*	20,942	–	–	429	21,371
As at January 1, 2019	20,942	896	839	562	23,239

	Other properties leased for own use carried at cost	Electronic equipment	Office equipment	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at January 1, 2019	20,942	896	839	562	23,239
Additions	–	41	–	252	293
Disposals	–	(13)	(3)	(15)	(31)
As at June 30, 2019	20,942	924	836	799	23,501
Accumulated depreciation					
As at January 1, 2016	–	(392)	(147)	(11)	(550)
Charge for the year	–	(205)	(101)	(7)	(313)
As at December 31, 2016/ January 1, 2017	–	(597)	(248)	(18)	(863)
Charge for the year	–	(167)	(103)	(8)	(278)
As at December 31, 2017/ January 1, 2018	–	(764)	(351)	(26)	(1,141)
Charge for the year	–	(127)	(109)	(8)	(244)
Written back on disposals	–	188	32	–	220
As at December 31, 2018	–	(703)	(428)	(34)	(1,165)
Charge for the period	(4,138)	(54)	(62)	(229)	(4,483)
Written back on disposals	–	12	2	14	28
As at June 30, 2019	(4,138)	(745)	(488)	(249)	(5,620)

The Group and the Company

	Other properties leased for own use carried at cost	Electronic equipment	Office equipment	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Net carrying amount					
As at December 31, 2016	–	256	283	18	557
As at December 31, 2017	–	312	201	10	523
As at December 31, 2018	–	193	411	99	703
As at June 30, 2019	16,804	179	348	550	17,881

Notes:

(i) The Group applied IFRS 16 using the modified retrospective method and adjusted the opening balances at January 1, 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under IAS 17, see Note 1(a).

(ii) Other properties leased for own use

The Group has obtained the right to use other properties as its office through tenancy agreements. The leases typically run for an initial period of 3 years.

(iii) Others leased for own use

The Group leases cars under leases expiring from 5 to 36 months. None of the leases includes variable lease payments.

(iv) Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in Note 20(b) and Note 22(b), respectively.

15 INTANGIBLE ASSETS

The Group and the Company

	As at December 31,			As at June 30,
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cost				
At the beginning of the year/period	68	2,601	2,601	4,238
Additions	2,533	–	1,637	–
At the end of the year/period	2,601	2,601	4,238	4,238
Accumulated amortisation				
At the beginning of the year/period	(10)	(133)	(394)	(788)
Charge for the year/period	(123)	(261)	(394)	(527)
At the end of the year/period	(133)	(394)	(788)	(1,315)
Carrying amount				
At the beginning of the year/period	58	2,468	2,207	3,450
At the end of the year/period	2,468	2,207	3,450	2,923

Intangible assets mainly represent softwares.

16 FINANCE LEASE RECEIVABLES

The Group and the Company

	As at December 31,			As at June 30,
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Minimum finance lease receivables				
Not later than one year	2,399,674	2,625,630	3,135,638	3,487,479
Later than one year and not later than five years	2,132,170	2,258,972	2,823,651	2,771,832
Later than five years	–	185	–	–
Gross amount of finance lease receivables	4,531,844	4,884,787	5,959,289	6,259,311
Less: Unearned finance income	(366,261)	(381,829)	(473,645)	(474,516)
Net amount of finance lease receivables	4,165,583	4,502,958	5,485,644	5,784,795
Less: Allowances for impairment losses	(56,531)	(81,814)	(108,850)	(125,391)
Carrying amount of finance lease receivables	4,109,052	4,421,144	5,376,794	5,659,404
Present value of minimum finance lease receivables				
Not later than one year	2,180,959	2,395,355	2,838,774	3,179,864
Later than one year and not later than five years	1,984,624	2,107,419	2,646,870	2,604,931
Later than five years	–	184	–	–
Total	4,165,583	4,502,958	5,485,644	5,784,795

Analysis for reporting purpose as:

The Group and the Company

	As at December 31,			As at June 30,
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets	1,972,367	2,093,432	2,635,559	2,589,860
Current assets	2,136,685	2,327,712	2,741,235	3,069,544
Total	4,109,052	4,421,144	5,376,794	5,659,404

The finance lease receivables with net amount of approximately RMB2,244.8 million, RMB2,493.8 million, RMB1,958.9 million and RMB2,281.6 million were pledged as collaterals for the Group's loan borrowings as at December 31, 2016, 2017, 2018 and June 30, 2019, respectively (see Note 21(ii)).

The finance lease receivables with net amount of approximately RMB584.9 million, RMB174.3 million, RMB547.2 million and RMB389.6 million were pledged as collaterals for the Group's asset-backed securities as at December 31, 2016, 2017, 2018 and June 30, 2019, respectively (see Note 21(iii)).

Finance lease receivables are mainly secured by leased assets, lessees' deposits and leased assets repurchase arrangement where applicable.

Lessees' deposits are calculated and collected based on a certain percentage of the entire value of the lease contract. The deposits are returned to the lessees in full by end of lease period according to the terms of the lease contracts. The balance of the customers' deposits can also be applied and used to settle any outstanding lease payments for the corresponding lease contracts. As at December 31, 2016, 2017, 2018 and June 30, 2019, the lessees' deposits of RMB621.6 million, RMB700.1 million, RMB773.4 million and RMB840.3 million were pledged for related finance lease receivables, respectively (see Note 22).

(a) Finance lease receivables and allowances for impairment losses:

The Group and the Company

	Year ended December 31, 2016			
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Net amount of finance lease receivables	3,942,461	110,371	112,751	4,165,583
Less: Allowances for impairment losses	(20,519)	(3,346)	(32,666)	(56,531)
Carrying amount of finance lease receivables	3,921,942	107,025	80,085	4,109,052

The Group and the Company

	Year ended December 31, 2017			
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Net amount of finance lease receivables	4,270,098	–	232,860	4,502,958
Less: Allowances for impairment losses	(21,391)	–	(60,423)	(81,814)
Carrying amount of finance lease receivables	4,248,707	–	172,437	4,421,144

The Group and the Company

	Year ended December 31, 2018			
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Net amount of finance lease receivables	5,087,000	95,001	303,643	5,485,644
Less: Allowances for impairment losses	(18,185)	(3,336)	(87,329)	(108,850)
Carrying amount of finance lease receivables	5,068,815	91,665	216,314	5,376,794

The Group and the Company

	Six Months ended June 30, 2019			
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Net amount of finance lease receivables	5,375,896	65,120	343,779	5,784,795
Less: Allowances for impairment losses	(21,705)	(1,946)	(101,740)	(125,391)
Carrying amount of finance lease receivables	5,354,191	63,174	242,039	5,659,404

(b) Changes in allowance for impairment losses of finance lease receivables are as follows:

The Group and the Company

	Year ended December 31, 2016			
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Balance at January 1, 2016	17,807	2,272	12,588	32,667
Transfer:				
– to lifetime ECL not credit-impaired	(831)	831	–	–
– to lifetime ECL credit-impaired	(28)	(2,272)	2,300	–
Charge	3,571	2,515	17,778	23,864
Balance at December 31, 2016	20,519	3,346	32,666	56,531

The Group and the Company

	Year ended December 31, 2017			
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Balance at January 1, 2017	20,519	3,346	32,666	56,531
Transfer:				
– to lifetime ECL credit-impaired	(213)	(2,965)	3,178	–
Charge/(reversal)	1,085	(381)	24,579	25,283
Balance at December 31, 2017	21,391	–	60,423	81,814

The Group and the Company

	Year ended December 31, 2018			
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Balance at January 1, 2018	21,391	–	60,423	81,814
Transfer:				
– to lifetime ECL not credit-impaired	(593)	593	–	–
– to lifetime ECL credit-impaired	(546)	–	546	–
(Reversal)/charge	(2,067)	2,743	26,360	27,036
Balance at December 31, 2018	18,185	3,336	87,329	108,850

The Group and the Company

	Six Months ended June 30, 2019			
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Balance at 1 January 2019	18,185	3,336	87,329	108,850
Transfer:				
– to 12-month ECL	35	–	(35)	–
– to lifetime ECL not credit-impaired	(337)	344	(7)	–
– to lifetime ECL credit-impaired	(102)	(3,236)	3,338	–
Charge	3,924	1,502	11,115	16,541
Balance at June 30, 2019	21,705	1,946	101,740	125,391

17 FINANCIAL ASSETS AT FVOCI AND FVTPL

The Group and the Company

	Note	As at December 31,			As at June 30,
		2016	2017	2018	2019
		RMB'000	RMB'000	RMB'000	RMB'000
Equity securities designated at FVOCI (non-recycling)					
– Unlisted equity securities	(i)	3,501	7,975	9,374	9,454
FVTPL					
– Wealth management products	(ii)	80,000	–	–	–

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. No dividends were received on this investment during the Relevant Periods.

(ii) The above wealth management products were issued by commercial banks in the PRC. They were mandatorily classified as FVTPL as their contractual cash flows are not solely payments of principal and interest.

18 OTHER ASSETS

The Group and the Company

	Note	As at December 31,			As at June 30,
		2016	2017	2018	2019
		RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets					
Other assets		256	143	57	27
Current assets					
Deductible value-added tax (VAT)		163,515	169,521	148,266	116,411
Other receivables		908	1,601	636	1,059
Notes receivable		–	–	26,598	608
Advance payments		176	27,287	29,961	12,629
Prepaid listing expenses		–	–	–	3,325
Due from related parties	26(c)	–	120	3,064	2,897
		164,599	198,529	208,525	136,929
Total		164,855	198,672	208,582	136,956

19 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Income tax payable

The Group and the Company

	As at December 31,			As at June 30,
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of the year/period	10,730	7,248	19,266	12,397
Provision for income tax for the year/period	32,758	39,264	45,376	24,136
Under/(over)-provision in respect of prior year	15	120	(37)	–
Income tax paid	(36,255)	(27,366)	(52,208)	(25,062)
At the end of the year/period	7,248	19,266	12,397	11,471

(b) The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the statement of financial position and the movements during the Relevant Periods are as follows:

The Group and the Company

Deferred tax arising from:	**Revaluation of FVOCI**	**Revenue with EIT paid in prior years**	**Allowance for impairment losses**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
January 1, 2016	–	12,556	8,203	20,759
Credited to profit or loss	–	(995)	6,018	5,023
Charged to other comprehensive income	(125)	–	–	(125)
December 31, 2016/January 1, 2017	(125)	11,561	14,221	25,657
Credited to profit or loss	–	63	6,492	6,555
Charged to other comprehensive income	(1,118)	–	–	(1,118)
December 31, 2017/January 1, 2018	(1,243)	11,624	20,713	31,094
Credited to profit or loss	–	(1,390)	6,841	5,451
Charged to other comprehensive income	(350)	–	–	(350)
December 31, 2018/January 1, 2019	(1,593)	10,234	27,554	36,195
Charged to profit or loss	–	(4,606)	3,887	(719)
Charged to other comprehensive income	(20)	–	–	(20)
June 30, 2019	(1,613)	5,628	31,441	35,456

20 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

The Group

	As at December 31,			As at June 30,
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash on hand	1	9	2	9
Deposits with banks	233,114	326,290	306,618	383,634
Cash and cash equivalents	233,115	326,299	306,620	383,643

The Company

	As at December 31,			As at June 30,
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash on hand	1	9	2	9
Deposits with banks	232,965	326,033	306,611	383,617
Cash and cash equivalents	232,966	326,042	306,613	383,626

(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	Interest payable	Total
	RMB'000	*RMB'000*	*RMB'000*
At January 1, 2016	2,317,869	13,757	2,331,626
Changes from financing cash flows:			
Proceeds from borrowings	2,294,642	–	2,294,642
Repayment of borrowings	(1,568,127)	–	(1,568,127)
Interest paid	–	(135,067)	(135,067)
Other borrowing costs paid	(4,183)	–	(4,183)
Other changes:			
Other borrowing costs	4,183	–	4,183
Interest adjustment	(1,104)	143,282	142,178
At December 31, 2016/ January 1, 2017	3,043,280	21,972	3,065,252
Changes from financing cash flows:			
Proceeds from borrowings	1,357,930	–	1,357,930
Repayment of borrowings	(1,789,894)	–	(1,789,894)
Interest paid	–	(138,333)	(138,333)
Other borrowing costs paid	(1,186)	–	(1,186)
Other changes:			
Other borrowing costs	1,186	–	1,186
Interest adjustment	949	138,276	139,225
At December 31, 2017/ January 1, 2018	2,612,265	21,915	2,634,180
Changes from financing cash flows:			
Proceeds from borrowings	2,378,638	–	2,378,638
Repayment of borrowings	(1,670,369)	–	(1,670,369)
Interest paid	–	(144,252)	(144,252)
Other borrowing costs paid	(5,261)	–	(5,261)
Other changes:			
Other borrowing costs	5,261	–	5,261
Interest adjustment	(787)	148,319	147,532
At December 31, 2018	3,319,747	25,982	3,345,729

	Borrowings	Lease liabilities	Interest payable	Prepaid listing expenses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At December 31, 2018	3,319,747	–	25,982	–	3,345,729
Impact on initial application of IFRS 16 *(Note i)*	–	21,371	–	–	21,371
As at January 1, 2019	3,319,747	21,371	25,982	–	3,367,100
Changes from financing cash flows:					
Capital element of lease rentals paid	–	(4,666)	–	–	(4,666)
Proceeds from borrowings	1,290,578	–	–	–	1,290,578
Repayment of borrowings	(1,009,865)	–	–	–	(1,009,865)
Interest element of lease rentals paid	–	(455)	–	–	(455)
Interest paid	–	–	(81,480)	–	(81,480)
Payment of listing expenses	–	–	–	(3,325)	(3,325)
Other borrowing costs paid	(3,435)	–	–	–	(3,435)
Other changes:					
Increase in lease liabilities from entering into new leases during the period	–	251	–	–	251
Other borrowing costs	3,435	–	–	–	3,435
Interest expenses	–	455	–	–	455
Interest adjustment	(82)	–	93,302	–	93,220
As at June 30, 2019	3,600,378	16,956	37,804	(3,325)	3,651,813

Note:

(i) The Group has initially applied IFRS 16 using the modified retrospective method and adjusted the opening balances at January 1, 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under IAS 17. See Note 1(a).

21 BORROWINGS

The Group and the Company

	Note	As at December 31, 2016	2017	2018	As at June 30, 2019
		RMB'000	RMB'000	RMB'000	RMB'000
Bank loans					
– collateralised	(i)	43,000	25,000	7,000	–
– pledged	(ii)	692,501	444,674	616,445	1,053,649
– unsecured		408,542	535,414	790,707	644,255
Borrowings from related parties					
– pledged	(ii)	1,400,000	1,496,000	1,318,000	1,600,000
Asset-backed securities	(iii)	499,237	111,177	587,595	302,474
		3,043,280	2,612,265	3,319,747	3,600,378

Analysis for reporting purpose as:

The Group and the Company

	As at December 31, 2016	2017	2018	As at June 30, 2019
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current liabilities	1,562,808	1,247,754	1,056,629	992,769
Current liabilities	1,480,472	1,364,511	2,263,118	2,607,609
	3,043,280	2,612,265	3,319,747	3,600,378

Notes:

(i) As at December 31, 2016, 2017, 2018 and June 30, 2019, loans amounting to RMB43.0 million, RMB25.0 million, RMB7.0 million and nil, respectively, were collateralized by financing leasing equipment.

(ii) As at December 31, 2016, 2017, 2018 and June 30, 2019, loans amounting to RMB2,092.5 million, RMB1,940.7 million, RMB1,934.4 million and RMB2,653.6 million, respectively, were pledged by finance lease receivables (see Note 16).

(iii) 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 August 18, 2016, the Company issued asset-backed securities with two tranches: senior tranche Class A1 with principal amount of RMB165.0 million, coupon rate of 3.40% and an expected maturity date on December 21, 2016; senior tranche Class A2 with principal amount of RMB208.0 million, coupon rate of 3.58% and an expected maturity date on December 21, 2017; senior tranche Class A3 with principal amount of RMB38.0 million, coupon rate of 3.60% and an expected maturity date on December 21, 2017; senior tranche Class B with principal amount of RMB108.0 million, coupon rate of 3.98% and an expected maturity date on June 21, 2018; junior tranche with principal amount of RMB57.0 million and an expected maturity date on June 21, 2018. The Company holds all junior tranche asset-backed securities.

On August 26, 2015, the Company issued asset-backed securities with two tranches: senior tranche Class A1 with principal amount of RMB240.0 million, coupon rate of 5.00% and an expected maturity date on June 21, 2016; senior tranche Class A2 with principal amount of RMB158.0 million, coupon rate of 5.30% and an expected maturity date on June 21, 2017; senior tranche Class B with principal amount of RMB102.0 million, coupon rate of 7.00% and an expected maturity date on June 21, 2018; junior tranche with principal amount of RMB53.0 million and an expected maturity date on June 21, 2018. The Company holds all junior tranche asset-backed securities.

As at December 31, 2016, 2017, 2018 and June 30, 2019, the borrowings were repayable as follows:

The Group and the Company

	As at December 31,			**As at June 30,**
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	1,480,472	1,364,511	2,263,118	2,607,609
After 1 year but within 2 years	434,887	611,196	453,222	753,310
After 2 years but within 5 years	1,027,921	636,558	603,407	239,459
After 5 years	100,000	–	–	–
	3,043,280	2,612,265	3,319,747	3,600,378

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

The Group and the Company

	As at December 31,			**As at June 30,**
	2016	**2017**	**2018**	**2019**
Range of interest rates:	4.13%-7.00%	4.35%-7.00%	4.35%-7.00%	4.35%-7.00%

22 TRADE AND OTHER LIABILITIES

The Group and the Company

	Note	As at December 31, 2016	As at December 31, 2017	As at December 31, 2018	As at June 30, 2019
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current liabilities					
Guaranteed deposits from lessees		222,117	277,837	234,371	252,832
VAT to be collected in the following period		87,621	116,134	108,440	101,333
VAT payable and other tax payable		517	1,542	353	641
Accounts payable		32,195	66,123	86,383	91,622
Notes payable		–	59,600	137,289	19,600
Accrued staff costs		8,269	11,240	14,063	14,022
Receipts in advance		–	21,351	38,271	12,060
Interest payable		21,972	21,915	25,982	37,804
Lease liabilities	*22(b)*	–	–	–	9,540
Dividend payable		–	–	–	35,000
Other payables		9,154	9,726	5,111	2,112
		381,845	585,468	650,263	576,566
Non-current liabilities					
Guaranteed deposits from lessees		399,517	422,311	538,996	587,511
VAT to be collected in the following period		107,814	103,365	94,212	71,305
Deferred revenue		47,223	53,404	64,213	66,601
Provision for credit commitments	*22(a)*	353	1,039	1,367	375
Lease liabilities	*22(b)*	–	–	–	7,416
		554,907	580,119	698,788	733,208
Total		936,752	1,165,587	1,349,051	1,309,774

(a) Provision for credit commitments

The Group and the Company

	Year ended December 31, 2016			
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance at January 1, 2016	144	–	–	144
Charge	209	–	–	209
Balance at December 31, 2016	353	–	–	353

	Year ended December 31, 2017			
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance at January 1, 2017	353	–	–	353
Charge	686	–	–	686
Balance at December 31, 2017	1,039	–	–	1,039

	Year ended December 31, 2018			
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance at January 1, 2018	1,039	–	–	1,039
Charge	328	–	–	328
Balance at December 31, 2018	1,367	–	–	1,367

	Six months ended June 30, 2019			
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance at January 1, 2019	1,367	–	–	1,367
Reversal	(992)	–	–	(992)
Balance at June 30, 2019	375	–	–	375

(b) Lease liabilities

The following table shows the remaining contractual maturities of the Group's lease liabilities at June 30, 2019 and at the date of transition to IFRS 16:

The Group and the Company

	January 1, 2019 *(Note i)*		June 30, 2019	
	Present value of the minimum lease payments	Total minimum lease payments	Present value of the minimum lease payments	Total minimum lease payments
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	6,827	7,646	9,540	10,148
After 1 year but within 2 years	12,082	12,479	7,416	7,597
After 2 years but within 5 years	2,462	2,490	–	–
	21,371	22,615	16,956	17,745
Less: total future interest expenses		(1,244)		(789)
Present value of lease liabilities		21,371		16,956

Note:

(i) The Group has initially applied IFRS 16 using the modified retrospective method and adjusted the opening balances at January 1, 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under IAS 17. Further details on the impact of the transition to IFRS 16 are set out in Note 1(a).

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:

	Paid-in capital	**Surplus reserve**	**Fair value reserve**	**General reserve**	**Retained profits**	**Total equity**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	23(b)	*23(c)(i)*	*23(c)(ii)*	*23(c)(iii)*		
At January 1, 2016	500,000	14,797	–	–	64,052	578,849
Changes in equity for 2016						
Profit for the year	–	–	–	–	82,552	82,552
Other comprehensive income	–	–	375	–	–	375
Total comprehensive income	–	–	375	–	82,552	82,927
Appropriation to statutory reserve	–	8,745	–	–	(8,745)	–
Dividends approved in respect of the previous years	–	–	–	–	(30,000)	(30,000)
At December 31, 2016/ January 1, 2017	500,000	23,542	375	–	107,859	631,776
Changes in equity for 2017						
Profit for the year	–	–	–	–	97,327	97,327
Other comprehensive income	–	–	3,356	–	–	3,356
Total comprehensive income	–	–	3,356	–	97,327	100,683
Appropriation to statutory reserve	–	9,399	–	–	(9,399)	–
Appropriation to general reserve	–	–	–	18,798	(18,798)	–
Capital injection	500,000	–	–	–	–	500,000
Dividends approved in respect of the previous years	–	–	–	–	(30,000)	(30,000)
At December 31, 2017/ January 1, 2018	1,000,000	32,941	3,731	18,798	146,989	1,202,459

	Paid-in capital	Surplus reserve	Fair value reserve	General reserve	Retained profits	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	23(b)	*23(c)(i)*	*23(c)(ii)*	*23(c)(iii)*		
Changes in equity for 2018						
Profit for the year	–	–	–	–	119,246	119,246
Other comprehensive income	–	–	1,049	–	–	1,049
Total comprehensive income	–	–	1,049	–	119,246	120,295
Appropriation to statutory reserve	–	12,455	–	–	(12,455)	–
Appropriation to general reserve	–	–	–	24,909	(24,909)	–
Dividends approved in respect of the previous years	–	–	–	–	(35,000)	(35,000)
At December 31, 2018	1,000,000	45,396	4,780	43,707	193,871	1,287,754
At January 1, 2018	1,000,000	32,941	3,731	18,798	146,989	1,202,459
Changes in equity for 2018						
Profit for the period	–	–	–	–	54,703	54,703
Other comprehensive income	–	–	565	–	–	565
Total comprehensive income	–	–	565	–	54,703	55,268
At June 30, 2018 (unaudited)	1,000,000	32,941	4,296	18,798	201,692	1,257,727
At January 1, 2019	1,000,000	45,396	4,780	43,707	193,871	1,287,754
Changes in equity for 2019						
Profit for the period	–	–	–	–	74,203	74,203
Other comprehensive income	–	–	60	–	–	60
Total comprehensive income	–	–	60	–	74,203	74,263
Dividends approved in respect of the previous years	–	–	–	–	(35,000)	(35,000)
At June 30, 2019	1,000,000	45,396	4,840	43,707	233,074	1,327,017

(b) Paid-in capital

The Company was established in Beijing, the PRC on November 27, 2012, with a registered capital of RMB500.0 million. All equity holders made the full capital contributions for which they subscribed in three instalments before May 1, 2013.

On June 9, 2017, the Company's equity holders convened the third extraordinary meeting for 2017 and decided on a capital increase of RMB500.0 million in proportion to the equity holders' initial paid-in capital contribution. The registered capital of the Company was therefore increased to RMB1.0 billion.

(c) 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 holders 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 holders.

(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 2(g)).

(iii) General reserve

According to the resolution of the meeting of Board of Directors, the Company elected to appropriate 20% of its net profit, as determined under the China Accounting Standards for Business Enterprises and other relevant regulations issued by the MOF, to a general risk reserve starting in the year 2017 until the reserve accumulatively reaches an amount equal to 1.5% of the ending balance of the Company's leased assets.

(d) Dividends

For the years ended December 31, 2016, 2017, 2018 and the six months ended June 30, 2018 (unaudited) and 2019, the profit distributed in cash by the Company to its equity holders amounted to RMB30.0 million, RMB30.0 million, RMB35.0 million, nil and RMB35.0 million, respectively.

(e) 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 holders' value.

The Group assesses and manages its capital structure with the aim of striking a balance between achieving higher equity holders 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. There were no changes in the objectives, policies or procedures for the Group's capital management during the Relevant Periods.

24 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, notes receivable and financial assets at FVTPL 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.

The Group's maximum exposure to credit risk before collateral held and other credit enhancement is as follows:

	As at December 31,			As at June 30,
	2016	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash and cash equivalents	233,115	326,299	306,620	383,643
Pledged and restricted deposits	–	11,920	27,238	2,940
Financial assets at FVTPL	80,000	–	–	–
Finance lease receivables	4,165,583	4,502,958	5,485,644	5,784,795
Financial assets at FVOCI	3,501	7,975	9,374	9,454
Notes and other receivables	908	1,721	30,298	4,564
Total	4,483,107	4,850,873	5,859,174	6,185,396

The maximum exposure to credit risk in respect of those off-balance sheet items as at the end of the each reporting period is disclosed in Note 25(a).

(i) Finance Lease receivables credit risk management

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. As at December 31, 2016, 2017, 2018 and June 30, 2019, 3.00%, 3.43%, 2.56% and 2.42% of the total net amounts of finance lease receivables was due from the Group's largest customer, respectively, and 12.48%, 12.48%, 9.53% and 7.67% of the total net amounts of finance lease receivables was due from the Group's five largest customers, respectively.

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.

The Group performs standardised management throughout the entire finance lease business processes, including investigation of and application for finance lease projects, due diligence, review and approval of lease projects, release of finance lease funds, post-lease monitoring, and management of bad and doubtful financial lease receipts. The Group also identifies, monitors and manages potential credit risks throughout its operations with its five-tier risk grading system, policies and procedures related to credit risk management, leasing business information system, management of the investment direction of its leasing business and optimising the structure of its leasing assets.

Changes in the economic environment or the distribution of a particular industry of finance lease assets in the Group's asset portfolio may cause losses to the Group. Credit risk exposure in the balance sheet is associated primarily with finance lease receivables. The Group's credit risk is managed by the Engagement Evaluation Department, Risk Management Department, Asset Management Department and the Evaluation Committee.

(ii) Risk limits management and mitigation measures

The Group monitors credit risk limits on a regular basis, manages, limits, and controls the concentration of credit risk it identifies, particularly in industries, regions, and single customers.

To optimise the credit risk structure, the Group identifies the direction of its leasing business and sets limits for industries, regions and single lessees with reference to global economic developments, industry trends and corporate strategic objectives. The Group controls the set-up of leasing projects according to the industry's and region's risk levels; specifically, if a customer has a transaction of over RMB50.0 million, or a cumulative total of over RMB100.0 million, a special set-up and decision-making procedure will be initiated.

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.

Concentration risk of credit exposure

An analysis of gross amount of finance lease receivables by industry is set out below:

	As at December 31,						As at June 30,	
	2016		2017		2018		2019	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
ECO-solutions	1,513,200	33%	1,384,712	28%	1,604,533	27%	1,622,846	26%
Life sciences & healthcare	778,869	17%	898,939	18%	1,156,613	19%	1,308,392	21%
Big data	758,549	17%	678,125	14%	1,085,335	18%	1,078,023	17%
Intelligent manufacturing	704,794	16%	1,007,377	21%	1,241,422	21%	1,385,950	22%
Internet-based products & services	538,628	12%	715,563	15%	702,231	12%	708,242	11%
Others	237,804	5%	200,071	4%	169,155	3%	155,858	3%
Total	4,531,844	100%	4,884,787	100%	5,959,289	100%	6,259,311	100%

An analysis of gross amount of finance lease receivables by area is set out below:

	As at December 31,						As at June 30,	
	2016		2017		2018		2019	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
North China	3,441,008	76%	3,212,432	66%	3,861,227	65%	3,740,072	61%
East China	427,776	9%	710,926	14%	885,613	15%	1,094,870	17%
Central China	369,125	8%	611,891	13%	523,114	9%	573,608	9%
Southwest	106,174	2%	77,079	2%	86,589	1%	134,117	2%
Northeast	91,146	2%	96,232	2%	144,296	2%	117,100	2%
Northwest	90,763	2%	126,864	2%	216,759	4%	280,957	4%
South China	5,852	1%	49,363	1%	241,691	4%	318,587	5%
Total	4,531,844	100%	4,884,787	100%	5,959,289	100%	6,259,311	100%

The overall ECL rate for finance lease receivables are summarized as follows:

	Year ended December 31, 2016			
	Stage 1	Stage 2	Stage 3	Total
Finance lease receivables	0.52%	3.03%	28.97%	1.36%

	Year ended December 31, 2017			
	Stage 1	Stage 2	Stage 3	Total
Finance lease receivables	0.50%	–	25.95%	1.82%

	Year ended December 31, 2018			
	Stage 1	Stage 2	Stage 3	Total
Finance lease receivables	0.36%	3.51%	28.76%	1.98%

	Six months ended June 30, 2019			
	Stage 1	Stage 2	Stage 3	Total
Finance lease receivables	0.40%	2.99%	29.59%	2.17%

An analysis of finance lease receivables by credit quality is set out below:

	As at December 31,			As at June 30,
	2016	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
12-month ECL balance	3,942,461	4,270,098	5,087,000	5,375,896
Lifetime ECL not credit-impaired balance				
– Not overdue	90,150	–	10,083	13,656
– Less than 1 month (inclusive)	9,667	–	63,306	46,022
– 1 to 3 months (inclusive)	10,554	–	21,612	5,442
Lifetime ECL credit-impaired	112,751	232,860	303,643	343,779
Net amount of finance lease receivables	4,165,583	4,502,958	5,485,644	5,784,795
Impairment loss	(56,531)	(81,814)	(108,850)	(125,391)
Total	4,109,052	4,421,144	5,376,794	5,659,404

(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.

(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 during the Relevant Periods as the Group does not have any foreign currency transaction or hold any foreign currency balance.

(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.

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 2016, 2017, 2018 and June 30, 2019.

	As at December 31,			As at June 30,
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Retained profits				
+ 100 basis points	4,742	7,287	5,595	6,145
- 100 basis points	(4,742)	(7,287)	(5,595)	(6,145)

(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 the 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	Within 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
December 31, 2016							
Cash and cash equivalent	233,115	–	–	–	–	–	233,115
Finance lease receivables	97,005	145,501	497,126	1,660,042	2,132,170	–	4,531,844
Financial assets at FVOCI	3,501	–	–	–	–	–	3,501
Financial assets at FVTPL	80,000	–	–	–	–	–	80,000
Other assets – other receivables	–	–	–	75	833	–	908
Total financial assets	413,621	145,501	497,126	1,660,117	2,133,003	–	4,849,368
Borrowings	–	76,525	246,574	1,288,885	1,658,179	105,505	3,375,668
Trade and other liabilities	1,300	18,988	9,780	481,192	198,944	–	710,204
Total financial liabilities	1,300	95,513	256,354	1,770,077	1,857,123	105,505	4,085,872
Net exposure	412,321	49,988	240,772	(109,960)	275,880	(105,505)	763,496

	Indefinite/ Overdue/ On demand	Within 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
December 31, 2017							
Cash and cash equivalent	326,299	–	–	–	–	–	326,299
Pledged and restricted deposits	–	–	–	11,920	–	–	11,920
Finance lease receivables	145,386	157,448	567,743	1,755,053	2,258,972	185	4,884,787
Financial assets at FVOCI	7,975	–	–	–	–	–	7,975
Other assets – other receivables	–	–	390	365	932	34	1,721
Total financial assets	479,660	157,448	568,133	1,767,338	2,259,904	219	5,232,702
Borrowings	–	17,770	156,033	1,306,727	1,376,124	–	2,856,654
Trade and other liabilities	19,371	5,603	65,126	591,265	207,633	–	888,998
Total financial liabilities	19,371	23,373	221,159	1,897,992	1,583,757	–	3,745,652
Net exposure	460,289	134,075	346,974	(130,654)	676,147	219	1,487,050

	Indefinite/ Overdue/ On demand	Within 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
December 31, 2018							
Cash and cash equivalent	306,621	–	–	–	–	–	306,621
Pledged and restricted deposits	–	–	–	27,237	–	–	27,237
Finance lease receivables	245,653	180,999	602,312	2,106,674	2,823,651	–	5,959,289
Financial assets at FVOCI	9,374	–	–	–	–	–	9,374
Others assets – notes and other receivables	233	–	1,065	25,707	3,293	–	30,298
Total financial assets	561,881	180,999	603,377	2,159,618	2,826,944	–	6,332,819
Borrowings	–	233,134	150,062	2,022,865	1,138,506	–	3,544,567
Trade and other liabilities	26,353	10,374	57,161	794,328	174,802	3,347	1,066,365
Total financial liabilities	26,353	243,508	207,223	2,817,193	1,313,308	3,347	4,610,932
Net exposure	535,528	(62,509)	396,154	(657,575)	1,513,636	(3,347)	1,721,887

	Indefinite/ Overdue/ On demand	Within 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
June 30, 2019							
Cash and cash equivalent	383,643	–	–	–	–	–	383,643
Pledged and restricted deposits	–	–	–	2,940	–	–	2,940
Finance lease receivables	295,459	228,614	649,875	2,313,531	2,771,832	–	6,259,311
Financial assets at FVOCI	9,454	–	–	–	–	–	9,454
Other assets – notes and other receivables	141	–	458	619	3,346	–	4,564
Total financial assets	688,697	228,614	650,333	2,317,090	2,775,178	–	6,659,912
Borrowings	–	360,418	650,889	1,739,464	1,054,228	–	3,804,999
Trade and other liabilities	39,760	17,238	24,145	285,023	587,511	–	953,677
Total financial liabilities	39,760	377,656	675,034	2,024,487	1,641,739	–	4,758,676
Net exposure	648,937	(149,042)	(24,701)	292,603	1,133,439	–	1,901,236

(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, 2016			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets at FVOCI	–	–	3,501	3,501
Financial assets at FVTPL	–	–	80,000	80,000
Total	–	–	83,501	83,501

	December 31, 2017			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets at FVOCI	–	–	7,975	7,975

	December 31, 2018			
	Level 1	Level 2	Level 3	Total
Financial assets at FVOCI	–	–	9,374	9,374

	June 30, 2019			
	Level 1	Level 2	Level 3	Total
Financial assets at FVOCI	–	–	9,454	9,454

During the Relevant Periods, 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.

Information about Level 3 fair value measurements

The following table presents the related valuation techniques and inputs of the major financial instruments in Level 3.

Financial assets/liabilities	Fair value hierarchy	Valuation Technique(s) and Key inputs	Significant Unobservable Input(s)	Relationship of unobservable input(s) to fair value
Unlisted equity securities	Level 3	Market comparable companies	Discount for lack of marketability	The higher the discount, the lower the fair value
Wealth management products	Level 3	Discounted cash flow	Risk adjusted discount rate	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. For the years ended December 31, 2016, 2017, 2018 and the six months ended June 30, 2018 (unaudited) and 2019, it is estimated that with all other variables held constant, a decrease/increase in discount for lack of marketability by 5% would have increased/decreased the Group's other comprehensive income by approximately RMB131,000, RMB299,000, RMB352,000, RMB327,000 and RMB355,000, respectively.

The fair value of wealth management products is determined by discounted cash flow models using risk-adjusted discount rates. The fair value measurement is negatively correlated to the risk adjusted discount rate. For the year ended December 31, 2016, it is estimated that with all other variables held constant, a decrease/increase in risk adjusted discount rate by 5% would have increased/decreased the Group's profit for the year by approximately RMB21,000.

The movements during the year/period in the balance of these Level 3 fair value measurements are as follows:

	Year ended December 31,			Six months ended June 30,
	2016	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unlisted equity securities:				
At the beginning of the year/period	–	3,501	7,975	9,374
Payment for purchases	3,000	–	–	–
Net unrealised gains or losses recognised in other comprehensive income during the year/period	501	4,474	1,399	80
At the end of the year/period	3,501	7,975	9,374	9,454
Wealth management products:				
At the beginning of the year/period	–	80,000	–	–
Payment for purchases	80,000	–	–	–
Sales and settlements	–	(80,000)	–	–
At the end of the year/period	80,000	–	–	–
Total gains or losses for the year/period included in profit or loss for assets held at the end of the Relevant Periods	–	–	–	–

25 COMMITMENTS AND CONTINGENT LIABILITIES

(a) Credit commitments

The Group's non-cancellable credit commitments are primarily finance leases that have been entered into but have not yet commenced. As at December 31, 2016, 2017, 2018 and June 30, 2019, the Group's non-cancellable lease commitments amounted to RMB58.8 million, RMB143.3 million, RMB248.5 million and RMB58.0 million, respectively.

(b) Capital commitments

As at December 31, 2016, 2017, 2018 and June 30, 2019, there are no significant capital commitments outstanding against the Group.

(c) Operating lease commitments

As at December 31, 2016, 2017 and 2018, the future minimum lease payments under non-cancellable operating leases for properties of the Group are as follows:

	As at December 31,		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Within one year (inclusive)	2,546	1,166	8,308
After one year but within five years (inclusive)	170	94	16,243
Total	2,716	1,260	24,551

The Group is the lessee in respect of office and cars held under leases which were previously classified as operating leases under IAS 17. The Group has initially applied IFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at January 1, 2019 to recognise lease liabilities relating to these leases (see Note 1(a)). From January 1, 2019 onwards, future lease payments are recognised as lease liabilities in the consolidated statement of financial position and statement of financial position in accordance with the policies set out in Note 2(f), and the details regarding the Group's future lease payments are disclosed in Note 22(b).

(d) Contingent liabilities in respect of legal claim

As at December 31, 2016, 2017, 2018 and June 30, 2019, there were no outstanding legal proceedings against the Group.

26 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
SASAC Branch of Chaoyang District, Beijing* (北京市朝陽區國有資本經營管理中心)	One of shareholders of the Group
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)	One of shareholders of the Group
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 Intellectual Property Operations Management Co., Ltd.* (北京知識產權運營管理有限公司)	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 Zhongguancun Development Group Co., Ltd
Beijing Haikai Real Estate Group Co., Ltd.* (北京海開房地產集團有限責任公司)	A company controlled by the same ultimate controlling party
Beijing Zhongguancun Yanqing Garden Construction Development Co., Ltd.* (北京中關村延慶園建設發展有限公司)	A company controlled by the same ultimate controlling party

* The English translation of the names of these entities is for reference only. The official names of the entities are in Chinese.

(b) Transaction amounts with related parties:

	Year ended December 31,			Six months ended June 30,	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Trade related					
Interest income from leases to a related party	–	190	937	481	416
Advisory fee income from a related party	–	–	516	516	–
Security deposits from a related party	–	673	912	912	–
Provision of finance lease to a related party	–	6,325	9,119	–	–
Repayment of finance lease receivable from a related party	–	471	3,857	1,605	2,252
Non-trade related					
Borrowing related					
Repayment of borrowings from related parties	230,000	380,000	496,000	218,000	18,000
Borrowings from related parties	630,000	476,000	318,000	18,000	300,000
Interest expenses arising from borrowings from related parties	54,887	69,822	69,173	37,064	37,676
Lending related					
Lending to a related party	–	–	307,381	–	314,269
Repayment from a related party	–	–	307,148	–	314,361
Interest income from a related party	–	–	244	–	102
Guarantee related					
Payment of guarantee fees	360	319	–	–	–
Others					
Payment for the lease of house rental, property management and parking fee to a related party	–	–	4,955	2,443	5,199
Repayment other receivables from related parties	–	–	180	2,854	157
Payment of other receivables of related parties	–	180	2,831	82	83
Payment of other payables of related parties	–	–	–	–	18
Advances from a related party	–	18	–	–	–

(c) The balances of transactions with related parties:

	Note	As at December 31, 2016	As at December 31, 2017	As at December 31, 2018	As at June 30, 2019
		RMB'000	RMB'000	RMB'000	RMB'000
Trade related					
Finance lease receivable from a related party		–	6,072	12,304	10,454
Security deposits payable to a related party		–	673	1,585	1,585
Non-trade related					
Borrowing related					
Borrowings payable to related parties	*(i)*	1,400,000	1,496,000	1,318,000	1,600,000
Interest payable to related parties	*(ii)*	21,972	21,758	19,546	34,251
Lending related					
Due from a related party	*(iii)*	–	–	233	141
Guarantee related					
Balance of guarantees received from a related party	*(iv)*	113,305	86,991	–	–
Others					
Deposits for rental	*(v)*	–	–	2,674	2,674
Other receivables from a related party	*(vi)*	–	120	157	82
Payable to a related party		–	18	18	–
Dividends payable to related parties	*(vii)*	–	–	–	28,000

(i) As at June 30, 2019, these represent short-term borrowings of RMB600.0 million and long-term borrowings of RMB1,000.0 million from Zhongguancun Development Group Co., Ltd.. These borrowings will be due on March 19, 2020, and August 11, 2022, respectively.

(ii) As at June 30, 2019, this represents interest payable to Zhongguancun Development Group Co., Ltd. and Beijing Zhongguancun Frontier Technology Industry Development Co., Ltd., which will be due within one year.

(iii) As at June 30, 2019, this represents amounts due from Zhongguancun Development Group Co., Ltd., which will be settled within one year.

(iv) This represents guarantee provided by Zhongguancun Development Group Co., Ltd. for the payment of principal and interest of asset-backed securities. This had been fully settled in 2018.

(v) As at June 30, 2019, this represents deposits for rental to Zhongguancun Development Group Co., Ltd., which will be due within two years.

(vi) As at June 30, 2019, this represents other receivables from Beijing Pioneer Precision Medical and Health Industry Investment Co., Ltd., which will be settled upon Listing.

(vii) As at June 30, 2019, this represents dividends payable to Zhongguancun Development Group Co., Ltd., SASAC Branch of Chaoyang District, Beijing and Beijing Chaoyang District Wangjing Xinxing Industry Zone Comprehensive Development Company, which will be settled within one year.

(d) Transactions with key management personnel

	As at December 31,			As at June 30,
	2016	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Key management personnel remuneration	3,182	4,656	5,015	5,062

27 CONSOLIDATED STRUCTURED ENTITIES

In the course of its ordinary activities, the Group enters into asset securitisation transactions and transfers the finance receivables to special purpose entities, which are structured entities created to provide opportunities for investors to invest in the finance lease receivables. Where a structured entity conducts activities according to contractual arrangements, the voting rights in it are not one of the main factors to consider in assessing whether the Group controls the structured entity. The Group obtains control over a structured entity when it involves itself in the entity's operations and is exposed to variable returns from such involvement, and when it has the ability to affect those returns through its power over the structured entity. In this case, the Group includes the structured entities in its consolidation scope.

As at December 31, 2016, 2017, 2018 and June 30, 2019, the number of consolidated structured entities of the Group was 2, 2, 1 and 1, respectively. As at December 31, 2016, 2017, 2018 and June 30, 2019, the total assets of the consolidated structured entities amounted to RMB610.0 million, RMB222.0 million, RMB681.0 million and RMB396.0 million, respectively.

28 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At June 30, 2019, 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).

29 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE PERIOD BEGINNING JANUARY 1, 2019

Up to the date of issue of these financial statements, the IASB has issued a number of amendments and a new standard, which are not yet effective for the period beginning January 1, 2019 and which have not been adopted in these financial statements.

The revised and new accounting standards and interpretations but not yet effective for the period from January 1, 2019 are set out below:

	Effective for accounting periods beginning on or after
Amendments to *References to Conceptual Framework in IFRS Standards*	January 1, 2020
Amendments to IFRS 3*, Definition of a business*	January 1, 2020
Amendments to IAS 1 and IAS 8*, Definition of material*	January 1, 2020
IFRS 17, *Insurance contracts*	January 1, 2021
Amendments to IFRS 10 and IAS 28, *Sale or contribution of assets between an Investor and its associate or joint venture*	To be determined

The Group is in the process of making an assessment of what the impact of these amendments 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 Group's results of operations and financial position.

30 SUBSEQUENT EVENTS

Save as disclosed elsewhere in the Historical Financial Information, subsequent events of the Group are detailed as below.

(i) 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, 2022. The Company holds all junior tranche asset-backed securities.

(ii) 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.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company and its consolidated structured entities in respect of any period subsequent to June 30, 2019.

The information set out in this appendix does not form part of the Accountants' Report prepared by the independent reporting accountants, KPMG, Certified Public Accountants, Hong Kong, as set out in Appendix I to this prospectus, and is included herein for illustrative purposes only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountants' Report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of the Group is prepared in accordance with Rule 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and is set out below to illustrate the effect of the Global Offering on the Group's net tangible assets attributable to equity holders of the Company as of June 30, 2019, as if the Global Offering had taken place on June 30, 2019.

The preparation of the unaudited pro forma statement of adjusted net tangible assets is for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the Group's net tangible assets attributable to equity holders of the Company had the Global Offering been completed as of June 30, 2019 or at any future dates.

	Consolidated net tangible assets attributable to equity holders of the Company as of June 30, 2019	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted net tangible assets attributable to equity holders of the Company	Unaudited pro forma adjusted net tangible assets attributable to equity holders of the Company per share	
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*HK$*
	(Note (1))	*(Note (2))*		*(Note (3))*	*(Note (4))*
Based on an Offer Price of HK$1.52 per share	1,324,111	398,169	1,722,280	1.29	1.47
Based on an Offer Price of HK$1.72 per share	1,324,111	455,051	1,779,162	1.33	1.51

Notes:

(1) The consolidated net tangible assets attributable to equity holders of the Company as of June 30, 2019 is arrived at after deducting intangible assets of RMB2.9 million from the consolidated net assets attributable to equity holders of the Company of RMB1,327.0 million as of June 30, 2019, as shown in the Accountants' Report, the text of which is set forth in Appendix I to this prospectus.

(2) The estimated net proceeds from the Global Offering are based on Offer Prices of HK$1.52 (being the minimum Offer Price) and HK$1.72 (being the maximum Offer Price) after deduction of the estimated underwriting fees and other related expenses related to Global Offering and the issuance of 333,334,000 Shares, taking no account of any Shares that may be issued upon exercise of the Over-allotment Option. The estimated net proceeds from the Global Offering are converted into RMB at an exchange rate of HK$1.1368 to RMB1.00.

(3) The unaudited pro forma adjusted net tangible assets attributable to equity holders of the Company per Share is arrived at after the adjustments for the estimated net proceeds from the Global Offering as described in note (2) and on the basis that 1,333,334,000 Shares are in issue assuming that the Global Offering has been completed on June 30, 2019 without taking into account of any Shares which may be issued upon exercise of the Over-allotment Option. No adjustment has been made to the pro forma adjusted net tangible assets of the Group attributable to equity holders of the Company as of June 30, 2019 to reflect any trading result or other transaction of the Group entered into subsequent to June 30, 2019.

(4) The unaudited pro forma adjusted net tangible assets attributable to equity holders of the Company per Share are converted into Hong Kong dollars at an exchange rate of RMB0.8797 to HK$1.00. No representation is made that the Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.

The following is the text of a report received from the reporting accountants, KPMG, Certified Public Accountants, Hong Kong, in respect of the Group's pro forma financial information for the purpose in this prospectus.

KPMG

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

To the Directors of Zhongguancun Science-Tech Leasing Co., Ltd.

We have completed our assurance engagement to report on the compilation of pro forma financial information of Zhongguancun Science-Tech Leasing Co., Ltd. (the "Company") and its consolidated structured entities (collectively the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets as at June 30, 2019 and related notes as set out in Part A of Appendix II to the prospectus dated December 31, 2019 (the "Prospectus") issued by the Company. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in Part A of Appendix II to the Prospectus.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed offering of the ordinary shares of the Company (the "Global Offering") on the Group's financial position as at June 30, 2019 as if the Global Offering had taken place at June 30, 2019. As part of this process, information about the Group's financial position as at June 30, 2019 has been extracted by the Directors from the Group's historical financial information included in the Accountants' Report as set out in Appendix I to the Prospectus.

Directors' Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms That Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements ("HKSAE") 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules, and with reference to AG 7 issued by the HKICPA.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of events or transactions as at June 30, 2019 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our procedures on the pro forma financial information have not been carried out in accordance with attestation standards or other standards and practices generally accepted in the United States of America, auditing standards of the Public Company Accounting Oversight Board (United States) or any overseas standards and accordingly should not be relied upon as if they had been carried out in accordance with those standards and practices.

We make no comments regarding the reasonableness of the amount of net proceeds from the issuance of the Company's shares, the application of those net proceeds, or whether such use will actually take place as described in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

Opinion

In our opinion:

(a) the pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

KPMG
Certified Public Accountants
Hong Kong
December 31, 2019

The following is a summary of certain PRC tax consequences and PRC foreign exchange laws and regulations on investors relating to the ownership of H shares by an investor who purchases such H Shares in the Share Offer and holds the H shares as capital assets. This summary does not purport to address all material tax or foreign exchange consequences of the ownership of H Shares, and does not take into account the specific circumstances of any particular investor, some of which may be subject to special provisions. This summary is based on the laws of the PRC in effect as of the Latest Practicable Date, all of which are subject to change (or changes in interpretation), possibly with retroactive effect.

PRC LAWS AND REGULATIONS RELATING TO TAXATION

Individual Investors

In accordance with the *Individual Income Tax Law of the People's Republic of China* (《中華人民共和國個人所得稅法》) (hereinafter referred to as "IIT Law") issued by the Fifth Session of the Standing Committee of the NPC on September 10, 1980, last revised on 31 August 2018 and came into effect on 1 January 2019, and the *Regulations for the Implementation of the Individual Income Tax Law of the People's Republic of China* (《中華人民共和國個人所得稅法實施條例》) revised by the State Council on 18 December 2018 and came into effect on 1 January 2019, dividends paid by Chinese companies to individual investors shall general be subject to withholding tax at a rate of 20%. Meanwhile, according to the *Notice on Issues concerning the Implementation of Differential Individual Income Tax Policies on Dividends and Bonuses of Listed Companies* (《關於上市公司股息紅利差別化個人所得稅政策有關問題的通知》) (Cai Shui [2015] No. 101) issued by the MOF on September 7, 2015, where an individual acquires the stocks of a listed company from public offering of the company or from the stock market, if the stock holding period is more than one year, the dividend incomes shall be exempted from personal income tax. Where an individual acquires the stocks of a listed company from public offering of the company or from the stock market, if the stock holding period is one month or less, the income from dividends shall be included into the taxable incomes in full amount; if the stock holding period is more than one month and up to one year, the dividend income shall be included into the taxable incomes at the reduced rate of 50% for the time being. Individual income taxes on the aforesaid incomes shall be collected at the uniform rate of 20%.

For a foreign individual who is not a resident of the PRC, his/her receipt of dividends from a PRC company is normally subject to PRC withholding tax of 20% unless specifically exempted by the taxation authority of the State Council or reduced by an applicable tax treaty. Pursuant to the Notice of the SAT on *Issues Concerning Taxation and Administration of Individual Income Tax After the Repeal of the Document* (《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》) (Guo Shui Han [2011] No. 348) issued by the SAT on June 28, 2011, domestic non-foreign-invested enterprises issuing shares in Hong Kong may generally, when distributing dividends, withhold individual income tax at the rate of 10%. For individual holders of H Shares receiving dividends who are identified as tax residents of countries that have entered into a tax treaty with the PRC with tax rates lower than 10%, the distributing non-foreign-invested enterprise whose shares are listed in Hong

Kong may apply on behalf of such holders for enjoying the lower preferential tax rate, and, upon approval by the tax authorities, the amount which is over-withheld will be refunded. For individual holders of H Shares receiving dividends who are identified as tax residents of countries that have entered into a tax treaty with the PRC that provides for tax rates higher than 10% but lower than 20%, the non-foreign-invested enterprise is required to withhold the tax at the applicable rate under the treaties, and no application to the tax authorities is required. For individual holders of H Shares receiving dividends who are identified as tax residents of countries without taxation treaties with the PRC, the non-foreign-invested enterprise is required to withhold the tax at a rate of 20%.

Pursuant to the *Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion Regarding Income Tax* (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) signed on August 21, 2006, the PRC government may impose tax on dividends paid to a Hong Kong resident (including natural person and legal entity) by a PRC company, but such tax shall not exceed 10% of the total amount of the dividends payable. If a Hong Kong resident directly holds 25% or more of the equity interest in a PRC company, then the amount of such shall not exceed 5% of the total dividends payable by the PRC company. The *Fourth Protocol of the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion issued by the SAT* (《國家稅務總局關於<內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排>第四議定書》) (SAT Announcement [2015] No. 12) effective on December 29, 2015 states that such provisions shall not apply to arrangement made for the primary purpose of gaining such tax benefit.

Enterprises Income Tax

According to the *Enterprises Income Tax Law of the PRC* (《中華人民共和國企業所得稅法》) (the "EIT Law") which was promulgated by the National People's Congress on 16 March 2007, took effect as of 1 January 2008 and last amended on 29 December 2018 and its implementing rules, a unified enterprise income tax (the "EIT") rate of 25% is applied equally to both domestic enterprises and foreign invested enterprises excluding non-resident enterprises.

Value-added Tax

Pursuant to the *Interim Regulations on Value-Added Tax of the PRC* (《中華人民共和國增值稅暫行條例》) promulgated by the Stated Council of the PRC on 13 December 1993 and subsequently amended on 10 November 2008, and became effective on 1 January 2009 and last amended on 19 November 2017 and its implementing rules promulgated by MOF on 25 December 1993 and last amended by the MOF and the SAT on 15 December 2008 and 28 November 2011 respectively, tax payers engaging in selling goods, labor services, or tangible movable property leasing services or importing goods within the territory of the PRC shall pay value-added tax (the "VAT") at the tax rate of 6%, 11% or 17%. Taxpayers engaged in selling services or intangible assets shall pay VAT at the tax rate of 6%. Unless otherwise provided by the State Council, the tax rate of VAT shall be zero on goods exported by taxpayers.

According to the Appendix 1 to the circular, namely the Implementing Measures on Pilot Collection of Value-added Tax in Lieu of Business Tax (營業稅改徵增值稅試點實施辦法), entities and individuals providing tangible assets leasing service within the PRC shall pay VAT at a rate of 17% and those providing consultation services shall pay VAT at a rate of 6%. Under Appendix 3: Provisions on the Transit Policies for the Pilot Collection of Value-added Tax in lieu of Business Tax (營業稅改徵增值稅試點過渡政策的規定), where general taxpayers with the registered capital reaching RMB170 million among the pilot taxpayers that approved by the PBOC, China Banking Regulatory Commission or MOFCOM to engage in finance leasing service further provide tangible asset finance leasing services, the actual VAT part of whichever rate more than 3% shall be immediately refunded upon collection. The circular was replaced by the *Circular of the Ministry of Finance and the SAT on Comprehensively Promoting the Pilot Program of the Collection of Value-added Tax in Lieu of Business Tax* (Cai Shui [2016] No. 36) (《財政部、國家稅務總局關於全面推開營業稅改徵增值稅試點的通知》財稅[2016]36號) (the "Circular 36") which became effective on 1 May 2016. The Group is subject to value-added tax and entitled to be immediately refunded upon collection according to the Circular 36. According to *the Notice of the Ministry of Finance and the State Administration of Taxation on the Adjustment to VAT Rates* (Cai Shui [2018] No. 32) (《財政部、國家稅務總局關於調整增值稅稅率的通知》) 財稅[2018]32號 which took effect on May 1, 2018, the deduction rates of 17% and 11% applicable to the taxpayers who have VAT taxable sales activities or imported goods are adjusted to 16% and 10%, respectively. According to the *Announcement of the Ministry of Finance, the State Taxation Administration and the General Administration of Customs on Relevant Policies for Deepening the Value-Added Tax Reform* (《財政部、稅務總局、海關總署關於深化增值稅改革有關政策的公告》), the tax rate of 16% applicable to the VAT taxable sale or import of goods by a general VAT taxpayer shall be adjusted to 13%; and the tax rate of 10% applicable thereto shall be adjusted to 9%.

The *Announcement No. 13 [2010] of the State Administration of Taxation: the Notice Concerning on the Taxation Issue of Selling Assets in Sale and Leaseback Financial Business* (《國家稅務總局公告2010年第13號 – 關於融資性售後回租業務中承租方出售資產行為有關稅收問題的公告》) was formulated on 8 September 2010 and took effect on 1 October 2010, clarifying the sale of assets by the lessee in sale and leaseback financing does not fall within the levying scope of VAT and business tax and shall not be subject to VAT or business tax. And pursuant to the announcement and relevant provisions, the income from the sale of assets by the lessee in sale and leaseback financing shall not be recognized as sales income, and the depreciation of assets in financial leasing shall still be computed according to the original book value of the assets before sale as the tax base. The part paid by the lessee as interest on financing during the lease term shall be deducted before tax as the enterprise's financial expenses.

Pursuant to the *Notice of the State Administration of Taxation on Levying Turnover Tax on Financial Leasing Business* (Letter of SAT [2000] No. 514) (《國家稅務總局關於融資租賃業務徵收流轉稅問題的通知》國稅函[2005]514號) promulgated by the SAT on July 7, 2000, the financial leasing business conducted by entities approved by the PBOC shall be levied business tax according to the *Provisional Regulations on Business Tax* (《營業稅暫行條例》) and no VAT shall be levied, whether or not the ownership of the leased goods has not been transferred to the lessee. Pursuant to the *Supplemental Notice of State Administration of Taxation on Levying Turnover Tax on Financial Leasing Business* (Letter of SAT [2000] No. 909) (《國家稅務總局關於融資租賃業務徵收流轉稅問題的補充通知》國稅函[2000]909號) promulgated by the SAT on November 15, 2000, the *Notice of State Administration of Taxation on Levying Turnover Tax on Financial Leasing Business* shall be applicable to the financial leasing business conducted by foreign-invested enterprises and foreign enterprises approved by Ministry of Foreign Trade and Economic Cooperation.

Enterprise Accounting Codes No. 21-Leasing

The *Ministry of Finance promulgated the Accounting Standards for Enterprises No. 21-Leases* (Cai Kuai [2006] No. 3) (《企業會計準則第21號 – 租賃》財會[2006]3號) (the "Codes") on 15 February 2006 to regulate the accounting and information disclosure about finance leasing and operating leasing. Under the Codes, leasing means an agreement to transfer the use rights of an asset to another party for a specified period in return for a rental payment. These Codes do not apply to the leasing of land-use rights or buildings through operating lease or the licensing of films, video tapes, scripts, writings, patents and copyrights, and the impairment losses of long-term credits formed by the finance leasing of a lessor. In respect of any leasing, the Codes require the lessor and the lessee to classify the leasing as finance leasing or as operating leasing at the commencement of the lease. The Codes also set out factors to be considered in such classification. The accounting treatment of finance leasing and operating leasing to be applied to the lessor and the lessee are specified in separate sets of detailed provisions in respect of their lease transaction on the notes of their balance sheet. In addition, they are required to disclose each sale-and-leaseback transaction as well as the important provisions of these sale-and-leaseback contracts.

Taxation on Gains from Share Transfer

In accordance with the IIT Law and its implementation rules, individuals are subject to individual income tax at the rate of 20% on gains realized on the sale of equity interests in PRC resident enterprises. Under the Circular of the MOF and SAT on Declaring that Individual Income Tax Continues to Be Exempted over Individual Income Tax from Transfer of Shares (《財政部、國家稅務總局關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) (Cai Shui Zi [1998] No. 61) issued by the MOF and SAT on March 20, 1998, from January 1, 1997, gains of individuals from the transfer of shares of listed companies continue to be exempted from individual income tax. After the latest amendment to the IIT Law on June 30, 2011 and its implementation rules amended on July 19, 2011 and implemented on September 1, 2011, the SAT has not explicitly stated whether it will continue to exempt individuals from income tax on income derived from the transfer of listed shares. However, on December 31, 2009, the MOF, SAT and CSRC jointly issued the Circular on Relevant Issues Concerning the Collection of Individual Income Tax over the Income Received by Individuals from Transfer of Moratorium Shares of Listed Companies (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的通知》) (Cai Shui [2009] No. 167), which provides that individuals' income from transferring listed shares on certain domestic exchanges shall continue to be exempted from individual income tax, except for shares of certain specified companies (as defined in the

Supplementary Circular on Relevant Issues Concerning the Collection of Individual Income Tax (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的補充通知》) (Cai Shui [2010] No. 70) over the Income Received by Individuals from Transfer of Listed Shares Subject to Sales Limitation issued by the MOF, SAT and CSRC on November 10, 2010). As of the Latest Practicable Date, the aforesaid provision has not expressly provided that individual income tax shall be collected from non-PRC resident individuals on the sale of shares of PRC resident enterprises listed on overseas stock exchanges such as the Hong Kong Stock Exchange. In practice, the PRC tax authorities have not collected income tax from non-PRC resident individuals on gains from the sale of shares of PRC resident enterprises listed on overseas stock exchanges.

In accordance with the EIT Law and its implementation rules, a non-PRC resident enterprise is generally subject to enterprise income tax at the rate of 10% with respect to PRC-sourced income, including gains derived from the disposition of shares in a PRC resident enterprise, if it does not have an establishment or premises in the PRC or has an establishment or premises in the PRC but the PRC-sourced income is not actually connected with such establishment or premises in the PRC. Such tax may be reduced or eliminated under applicable tax treaties or arrangements.

PRC LAWS AND REGULATIONS RELATING TO FOREIGN EXCHANGE

The lawful currency of the PRC is the Renminbi, which is currently subject to foreign exchange control and is not freely convertible into foreign exchange. The SAFE under the PBOC is responsible for administration of all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

Foreign Exchange

In accordance with the *Notice of the State Council on Further Reforming the Foreign Exchange Management System* (《關於進一步改革外匯管理體制的通知》) (Guo Fa [1993] No. 89 (abolished)) issued by the State Council, since January 1, 1994, the conditional convertibility of Renminbi in current account items and the unified exchange rate has been implemented, and the official Renminbi exchange rate and the market rate for Renminbi have been unified. The former dual exchange rate system for Renminbi had been abolished and a unitary and managed floating rate based on market demand and supply was introduced. The PBOC set and published daily the medium price of Renminbi against the US dollar and the exchange rates of Renminbi against other major currencies in reference to the changes in the international foreign exchange markets, which was permitted to float to a certain extent in foreign exchange transactions.

Pursuant to the *Administrative Regulations of the PRC on Foreign Exchange* (《中華人民共和國外匯管理條例》) promulgated by the State Council on 29 January 1996 and amended on 1 August 2008 and became effective on 5 August 2008, and various regulations issued by the SAFE and other PRC regulatory agencies, foreign currency could be exchanged or paid through two different accounts, namely current account and capital account. Payment of current account items, including commodity, trade and service-related foreign exchange transactions and other current payment, may be made by conversion between Renminbi and foreign currencies without approval of SAFE, but are subject to procedural requirements including presenting relevant documentary evidence of such transactions. Capital account items, such as direct equity investment, loans and repatriation of investment, require the prior approval from or registration with the SAFE or its local branch for conversion between Renminbi and foreign currency, and remittance of the foreign currency outside the PRC.

On June 20, 1996, the PBOC promulgated the *Regulations for the Administration of Settlement, Sale and Payment of Foreign Exchange* (《結匯、售匯及付匯管理規定》) (Yin Fa [1996] No. 210) (hereinafter referred to as the "Settlement Regulations") which became effective on July 1, 1996. The Settlement Regulations abolished the remaining restrictions on convertibility of foreign exchange under current account items, while retaining the existing restrictions on foreign exchange transactions under capital account items.

According to the *Announcement on Improving the Reform of the Renminbi* (《關於完善人民幣匯率形成機制改革的公告》) (PBOC Announcement [2005] No. 16), issued by the PBOC on July 21, 2005, the PRC began to implement a managed floating exchange rate system in which the exchange rate would be determined based on market supply and demand and adjusted with reference to a basket of currencies. The Renminbi exchange rate was no longer pegged to the US dollar. The PBOC would publish the closing price of the Renminbi against foreign currencies such as the US dollar in the inter-bank foreign exchange market after the closing of the market on each business day, which would be used as the central parity for Renminbi transactions on the following business day.

Management of Foreign Debts

Pursuant to the *Interim Provisions on the Management of Foreign Debts* (Order of NDRC, MOF, and SAFE No. 28) (《外債管理暫行辦法》國家發展計劃委員會、財政部、國家外匯管理局令第28號), The summation of the accumulated medium-term and long-term debts borrowed by foreign-invested enterprises and the balance of short-term debts shall not exceed the surplus between the total investment in projects approved by the verifying departments and the registered capital. Within the range of the surplus foreign-invested enterprises may borrow foreign loans at their own will, if the loans exceed the surplus, the total investment in projects shall be reexamined by the original examination and approval departments.

SAFE Circular 59, SAFE Circular 19 and SAFE Circular 13

On 19 November 2012, SAFE promulgated the *Circular of Further Improving and Adjusting Foreign Exchange Administration Policies on Foreign Direct Investment* (Hui Fa [2012] No. 59, the "SAFE Circular 59") (《關於進一步改進和調整外商直接投資外匯管理政策的通知》匯發[2012]59號), which became effective on 17 December 2012 and were amended on 4 May 2015. SAFE Circular 59 substantially amends and simplifies the current foreign exchange procedure. According to SAFE Circular 59, the opening of various special purpose foreign exchange accounts (e.g. pre-investment expenses account, foreign exchange capital account, asset realization account, guarantee account) no longer requires the approval of SAFE. Furthermore, multiple capital accounts for the same entity may be opened in different provinces, which was not possible before the issuance of SAFE Circular 59. Reinvestment of lawful incomes derived by foreign investors in the PRC (e.g. profit, proceeds of equity transfer, capital reduction, liquidation and early repatriation of investment) no longer requires SAFE's approval or verification, and purchase and remittance of foreign exchange as a result of capital reduction, liquidation, early repatriation or share transfer in a foreign-invested enterprise no longer requires SAFE's approval.

The *Circular on Reforming the Management Approach regarding the Settlement of Foreign Exchange Capital of Foreign-invested Enterprises* (Hui Fa [2015] No. 19) (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》匯發[2015]19號) (the "SAFE Circular 19"), was promulgated on 30 March 2015, which came into effect from 1 June 2015. According to SAFE Circular 19, the foreign exchange capital of foreign-invested enterprises shall be subject to the Discretional Foreign Exchange Settlement. The Discretional Foreign Exchange Settlement refers to the foreign exchange capital in the capital account of an foreign invested enterprise for which the rights and interests of monetary contribution has been confirmed by the local foreign exchange bureau (or the book-entry registration of monetary contribution by the banks) can be settled at the banks based on the actual operational needs of the foreign invested enterprise. The proportion of Discretional Foreign Exchange Settlement of the foreign exchange capital of a foreign invested enterprise is temporarily determined as 100%. The Renminbi converted from the foreign exchange capital will be kept in a designated account and if an FIE needs to make further payment from such account, it still needs to provide supporting documents and go through the review process with the banks.

Pursuant to *Circular on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies* (Hui Fa [2015] No. 13) (《關於進一步簡化和改進直接投資外匯管理政策的通知》匯發[2015]13號) (the "SAFE Circular 13"), which was promulgated by SAFE on 13 February 2015 and became effective from 1 June 2015, the foreign exchange registration under domestic direct investment and the foreign exchange registration under overseas direct investment will be directly reviewed and handled by banks in accordance with the Circular 13, and the SAFE and its branches shall perform indirect regulation over the foreign exchange registration via banks.

THE PRC LEGAL SYSTEM

The PRC legal system is composed of the constitution, laws, administrative regulations, local regulations, regulatory rules, rules and regulations of departments of the State Council, rules and regulations of local governments, autonomy regulations and regulatory rules of autonomous regions and international treaties of which the PRC government is a signatory. Court judgments do not constitute binding precedents, although they may be used for the purpose of judicial reference and guidance.

Pursuant to *The PRC Constitution* (《中華人民共和國憲法》) (hereinafter referred to as "Constitution") and the *Legislation Law of the PRC* (《中華人民共和國立法法》) (hereinafter referred to as "Legislation Law"), the National People's Congress (the "NPC") and the Standing Committee of the NPC are empowered to exercise the legislative power of the state. The NPC has the power to formulate and amend the basic laws governing criminal and civil matters, state institutions and other matters. The Standing Committee of the NPC is empowered to formulate and amend laws other than those required by to be enacted by the NPC and to supplement and amend any parts of laws enacted by the NPC during its adjournment, provided that such supplements and amendments shall not be in conflict with the principles of such laws.

The State Council is the highest administrative organ of the state, and enacts administrative regulations under the Constitution and laws.

People's congresses of provinces, autonomous regions and municipalities directly under the central government and their respective standing committees may formulate local regulations based on the specific circumstances and requirements of the local administrations, provided that such local regulations shall not be in conflict with the constitution, laws, and administrative regulations.

The ministries, commissions, PBOC, National Audit Office and institutions with administrative functions board of supervisors the State Council may formulate rules and regulations within the jurisdiction of their respective departments based on the laws and the administrative regulations, decisions and rulings of the State Council. Provisions of departmental rules and regulations shall be formulated for the purpose of the enforcement of the laws and administrative regulations, decisions and rulings of the State Council. The people's governments of provinces, autonomous regions, municipalities and large cities may formulate rules and regulations based on the laws, administrative regulations and relevant local regulations.

People's congresses of larger cities and their respective standing committees may enact local regulations based on the specific circumstances and actual needs which shall come into effect upon approval from the respective standing committees of the people's congresses of the provinces and autonomous regions, provided that such local regulations shall not be in conflict with the constitution, laws, and administrative regulations.

People's congresses of autonomous regions may enact autonomy regulations and separate rules in the light of the political, economic and cultural characteristics of the local nationalities, which shall come into effect upon approval from the Standing Committee of the NPC. Adaptations of provisions of laws and administrative regulations may be introduced to the autonomy regulations and separate rules so long as they do not contravene the basic principles of the laws or administrative regulations, and no adaptations shall be made to the specific provisions on national autonomous areas in the constitutions, national region autonomy law and other relevant laws and administrative regulations.

People's governments of provinces, autonomous regions and municipalities directly under the central government and larger cities may formulate rules according to laws, administrative regulations and relevant local regulations.

The Constitution, enacted by the NPC, is basis of the PRC legal system and has supreme legal authority, and no laws, administrative regulations, local regulations, autonomous regulations or separate regulations may contravene the Constitution. The effect of laws is higher than that of administrative regulations, local regulations, and rules. The effect of administrative regulations is higher than that of local regulations and rules. The effect of local regulations is higher than that of the rules of the local governments at or below the corresponding level. The effect of the rules enacted by the people's governments of the provinces or autonomous regions is higher than that of the rules enacted by the people's governments of the comparatively larger cities within the administrative areas of the provinces and the autonomous regions.

The NPC has the power to alter or annul any inappropriate laws enacted by its Standing Committee, and to annul any autonomous regulations or separate regulations which have been approved by its Standing Committee but which contravene the Constitution or the Legislation Law. The Standing Committee of the NPC has the power to annul any local regulation that contravenes the Constitution, laws or administrative regulations, and to annul any autonomous regulation or separate regulations which has been approved by the standing committees of the NPC of the relevant provinces, autonomous regions or municipalities directly under the central government, but which contravene the Constitution and the Legislation Law. The State Council has the power to alter or annul any inappropriate ministerial rules and rules of local governments. The people's congress of provinces, autonomous regions or municipalities directly under the central government have the power to alter or annul any inappropriate local regulations enacted or approved by their respective standing committees. The people's governments of provinces and autonomous regions have the power to alter or annul any inappropriate rules enacted by the people's governments at the lower level.

According to the Constitution, the authority of the interpretation of laws shall be vested to the Standing Committee of the NPC. According to the *Decision of the Standing Committee of the National People's Congress Regarding the Strengthening of Interpretation of Laws* (《全國人民代表大會常務委員會關於加強法律解釋工作的決議》) passed on June 10, 1981, interpretation on the application of laws and decrees in court trails and the procuratorial work of the procuratorates shall be given by the Supreme People's Court and the Supreme People's Procuratorate, respectively. Interpretation of the laws and decrees unrelated to trials and procuratorial work shall be given by the State Council and the competent ministries and commissions. In the case that clarification or additional provisions shall be made for the local regulations, the standing committees of the people's congresses of provinces, autonomous regions and municipalities directly under the central government which enacted such regulations shall give the interpretation or formulate the additional provisions. Interpretation on the application of local regulations shall be given by the competent departments under the people's government of the respective provinces, autonomous regions and municipalities directly under the central government.

PRC JUDICIAL SYSTEM

Under the Constitution and the *Law of the PRC of Organization of the People's Courts* (《中華人民共和國法院組織法》) which was enacted on July 1, 1979 and last amended on October 26, 2018 and took effect on January 1, 2019, the judicial system in PRC is made up of the Supreme People's Court, the local people's courts, and other special people's courts.

The local people's courts are comprised of the primary people's courts, the intermediate people's courts and the higher people's courts. The basic people's courts may be organized into civil, criminal, and economic tribunals. The intermediate people's courts may be organized into divisions similar to those of the basic people's courts, and may be further organized into other special divisions. The people's courts at lower levels are subject to supervision of the people's courts at higher levels. The Supreme People's Court is the highest judicial organ of the PRC and has the power to supervise the judicial work by the local people's courts at all levels and all special people's courts. The people's procuratorates also have the right to exercise legal supervision over the trial activities of people's courts at same or lower levels.

The people's courts adopt a "second instance as final" appellate system in the trail of the cases. A party to the case concerned may appeal against the judgment and ruling of the first instance by the local people's courts to the people's courts at the next higher level in accordance with the legal procedures. The people's procuratorates may appeal to the people's court at the next higher level in accordance with the legal procedures. In the absence of any appeal by any parties to the case concerned or any appeal by the people's procuratorates within the stipulated period, the judgment and ruling of the first instance by the local people's courts shall be final and legally binding.

If, however, the Supreme People's Court or a people's court at a higher level finds an error in a judgment which has been given in any people's court at a lower level, or the presiding judge of a people's court finds an error in a judgment which has been given in the court over which he presides, the case may then be retried according to the judicial supervision procedures. The death penalty shall be reported to the Supreme People's Court for approval unless it is otherwise adjudged by the Supreme People's Court.

The *Civil Procedure Law of the PRC* (《中華人民共和國民事訴訟法》) (hereinafter referred to as "PRC Civil Procedure Law"), which was adopted on April 9, 1991 and last amended on June 27, 2017 and became effective on July 1, 2017, sets forth the criteria for instituting a civil case, the jurisdiction of the people's courts, the procedures to be followed for conducting a civil action and the procedures for enforcement of a civil judgment or order. All parties to a civil action conducted within the PRC must comply with the PRC Civil Procedure Law. Generally, a civil case is initially heard by a local court of the municipality or province in which the defendant resides. The parties to a contract may, by an express agreement, select a competent court where civil actions may be brought, provided that the competent court has jurisdiction over either the plaintiff's or the defendant's place of residence, the place of execution or performance of the contract, the object of the action or locations which have substantial connections with the dispute. However, such selection cannot violate the stipulations of hierarchical jurisdiction and exclusive jurisdiction in any case.

A foreign individual, enterprise or organization generally has the same litigation rights and obligations as a citizen or legal person of the PRC. If a foreign country's judicial system limits the litigation rights of PRC citizens and enterprises, the PRC courts may impose the same limitations to the citizens and enterprises of that foreign country within the PRC. If any party to a civil action refuses to comply with a judgment or order made by a people's court or an award granted by an arbitration panel in the PRC, the other party may apply to the people's court to request for enforcement of the judgment, order or award. There are time limits imposed on the right to apply for such enforcement and the time limit is two years. If a person fails to satisfy a judgment made by the court within the stipulated time, the court will, upon application by either party, mandatorily enforce the judgment.

A party seeking to enforce a judgment or order of a people's court against a party who is not located within the PRC and does not own any property in the PRC, may apply to a foreign court with proper jurisdiction for recognition and enforcement of the judgment or order. In the case of an application or request for recognition and enforcement of a legally effective judgment or order of a foreign court, the people's court shall, after having examined it in accordance with the international treaties entered into or acceded to by the PRC or with the principle of reciprocity and having arrived at the conclusion that it does not contravene the primary principles of the laws of the PRC nor violates its sovereignty, security or social and public interests, recognize the validity of the judgment or order, and, if required, issue a writ of enforcement and enforce it in accordance with the relevant regulations. If the application or request contravenes the primary principles of the laws of the PRC or violates its sovereignty, security or social and public interests, the people's court shall not recognize and enforce it.

THE COMPANY LAW, SPECIAL REGULATIONS AND MANDATORY PROVISIONS OF PRC

The *PRC Company Law* (《中華人民共和國公司法》) which was promulgated on December 29, 1993 by the Standing Committee of the NPC, last amended and came into effect on October 26, 2018 regulates the organization and operation of companies and protects the legitimate rights and interests of companies, shareholders and creditors. The amendment to the PRC Company Law in 2013 has canceled the restriction on the minimum registered capital and replaced the registered paid-up share capital system by the registered subscribed capital system.

The *Special Regulations of the State Council on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies* (《國務院關於股份有限公司境外募集股份及上市的特別規定》) (hereinafter referred to as "Special Regulations") were promulgated by the Standing Committee Meeting of the State Council, and took effect on August 4, 1994. The Special Regulations are formulated according to the Company Law (1993) in respect of the overseas share subscription and listing of joint stock limited companies. The *Mandatory Provisions of Association of Listed Companies Overseas* (到境外上市公司章程必備條款) (hereinafter referred to as "Mandatory Provisions") were issued jointly by the former Securities Commission of the State Council and the former State Economic Restructuring Commission on September 29, 1994, prescribing provisions which must be incorporated into the articles of association of joint stock limited companies to be listed overseas. Accordingly, the Mandatory Provisions have been incorporated in the Articles of Association of the Company.

Main provisions in PRC Company Law, Special Regulations and Mandatory Provisions are summarized as follows:

General

A joint-stock limited liability company (hereinafter referred to as "company") is a corporate legal person incorporated under the PRC Company Law, whose registered capital is divided into shares of equal nominal value. The liability of its shareholders is limited to the extent of the shares held by them, and the liability of the company is limited to the full amount of all the assets owned by it.

The company may invest in other enterprises. However, the Company shall not become a capital contributor that shall bear the joint liabilities for the debts of the enterprise it invests in, unless it is otherwise provided for by any law. A state-owned enterprise that is restructured into a company must comply with the conditions and requirements specified by law and administrative regulation, for the modification of its operation mechanisms, the systematic handling and evaluation of our company's assets and liabilities and the establishment of internal management organs.

Incorporation

A company may be incorporated by promotion or subscription. A company may be incorporated by two to 200 promoters, but at least half of the promoters must reside in the PRC. Companies incorporated by promotion are companies with the registered capital entirely subscribed for by the promoters. Where companies are incorporated by subscription, the promoters are required to subscribe for not less than 35% of the total number of shares of a company unless otherwise stipulated by laws and regulations, and the remaining shares can be offered to the public or specific persons, unless otherwise required by law.

For a company incorporated by promotion, the registered capital has to be the total capital subscribed for by all promoters as registered with the company registration authority. It shall not raise capital from others before the promoters fully pay the capital subscribed by them; for companies established by subscription, the registered capital is the amount of total paid-up capital as registered with the company registration authority.

Where after the incorporation of a company, a promoter who fails to pay in full the subscription moneys in accordance with the provisions of the company's articles of association shall pay in full, and the other promoters shall bear joint and several liability. Where it is discovered that the actual evaluation of the non-currency property used as capital contributions for the incorporation of the company is obviously less than the evaluation prescribed by the company' articles of association, the promoters making such contributions shall make up the difference; and the other promoters shall bear joint and several liability.

The promoters of a company shall bear the following liabilities:

Where the company cannot be incorporated, they shall bear the joint and several liability for all the debts and expenses incurred in the act of incorporation;

Where the company cannot be incorporated, they shall bear the joint and several liability for refunding the subscription moneys paid by the subscribers, plus their bank deposit interest calculated for the same period of time; and

Where the interests of the company are impaired due to the fault committed by the promoters in the process of the incorporation of the company, they shall bear the liability to pay compensation to the company.

Share Capital

The promoters of a company can make capital contributions in cash or in kind, that can be valued in currency and transferable according to law such as intellectual property or land-use rights based on their appraised value, except for the property that is not allowed to be used as capital contributions, as is provided for by laws or administrative regulations.

If capital contribution is made other than in cash, valuation and verification of the property contributed must be carried out according to the laws. Non-current property used for capital contributions shall be evaluated and verified, and shall not be overvalued or undervalued. Where laws or administrative regulations provide otherwise, those provisions shall prevail.

A company may issue registered or bearer shares. However, shares issued to promoter(s) or legal person(s) shall be in the form of registered shares and shall be registered under the name(s) of such promoter(s) or legal person(s) and shall not be registered under a different name or the name of a representative.

The Special Regulations and the Mandatory Provisions provide that shares issued to foreign investors and listed overseas shall be issued in registered form and shall be denominated in Renminbi and subscribed for in foreign currency.

Under the Special Regulations and the Mandatory Provisions, shares issued to foreign investors and investors from the territories of Hong Kong Special Administrative Region, Macau Special Administrative Region, the Region of Taiwan and listed overseas are known as overseas listed foreign invested shares, and those shares issued to investors within the PRC other than the territories specified above are known as domestic shares which take the form of registered shares.

A company may offer its shares to the public overseas with approval by the securities administration department of the State Council. Specific provisions shall be specifically formulated by the State Council. Under the Special Regulations, upon approval of the China Securities Regulatory Commission (the "CSRC"), a company may agree, in the underwriting agreement in respect of an issue of overseas listed foreign invested shares, to retain not more than 15% of the aggregate number of overseas listed foreign invested shares proposed to be issued after accounting for the number of underwritten shares.

The shares shall be issued in compliance with the principles of fairness and impartiality. The shares of the same class must carry the same rights. Shares shall be issued on the same conditions and at the same price. All units and individuals shall pay the same price for each of the share they subscribe for. The share offering price may be equal to or greater than nominal value, but shall not be less than nominal value.

Shares issued by a company with limited liability may be either registered shares or bearer shares. The transfer of shares by shareholders should be conducted via the legally established stock exchange or in accordance with other methods as stipulated by the State Council. Transfer of registered shares by a shareholder must be made by means of an endorsement or by other means stipulated by law or administrative regulation. Bearer shares are transferred by delivery of the share certificates to the transferee.

Shares held by a promoter of a company shall not be transferred within one year after the date of the company's incorporation. Shares issued by a company prior to the public offer of its shares shall not be transferred within one year from the date of listing of the shares of the company on a stock exchange. Directors, supervisors and senior management of a company shall not transfer over 25% of the shares held by each of them in the company each year during their term of office and shall not transfer any share of the company held by each of them within one year after the listing date. There is no restriction under the PRC Company Law as to the percentage of shareholding a single shareholder may hold in a company.

Alteration of shareholder register shall not be made within 20 days before the date of a shareholders' meeting or within 5 days before the benchmark date determined by the company for distribution of dividends.

Increase in Capital

Under the PRC Company Law, an increase in the capital of a company by means of an issue of new shares must be approved by shareholders in general meeting.

Save for the above-mentioned shareholder approval requirement, for a public offering of new shares, the *PRC Securities Law* (《中華人民共和國證券法》) (hereinafter referred to as "Securities Law") provides that the company shall: (i) have a sound organizational structure with satisfactory operating record; (ii) have the capability of continuing profitability and a healthy financial position; (iii) have no false statements and other material breaches in the financial and accounting documents of the last three years; (iv) fulfill other conditions required by the securities administration department of the State Council as approved by the State Council.

Public offer requires the approval of the securities administration department of the State Council.

After payment in full for the new shares issued, a company must change its registration with the company registration authority and issue a public notice accordingly.

Reduction of Share Capital

A company may reduce its registered capital in accordance with the following procedures prescribed by the PRC Company Law:

(i) the company shall prepare a balance sheet and an inventory of the assets;

(ii) the reduction of registered capital shall be approved by shareholders in general meeting;

(iii) the company shall inform its creditors of the reduction in registered capital within ten (10) days and publish an announcement of the reduction in the newspaper within thirty (30) days after the resolution approving the reduction has been passed;

(iv) the creditors of the company may within the statutory prescribed time limit require the company to pay its debts or provide guarantees covering the debts; The creditors shall, within thirty (30) days from the date they receive the written notice, or within forty five (45) days from the date the announcement is made in the case of those who have not received such written notice, have the right to claim full repayment of their debts or provision of a corresponding guarantee from the company; and

(v) the company shall apply to the company registration authority for registration of the reduction in registered capital.

Repurchase of Shares

A company may not purchase its own shares except under any of the following circumstances:

(i) to reduce the registered capital of the company; or

(ii) to merge with another company that holds its shares; or

(iii) to use shares for employee stock ownership plan or equity incentives; or

(iv) a shareholder requests the company to purchase the shares held by him since he objects to a resolution of the shareholders' meeting on the combination or division of the company; or

(v) to use shares for converting convertible corporate bonds issued by the listed company; or

(vi) it is necessary for a listed company to protect the corporate value and the rights and interests of shareholders.

A company purchasing its own shares under any of the circumstances set forth in items (i) and (ii) of the preceding paragraph shall be subject to a resolution of the shareholders' meeting; and a company purchasing its own shares under any of the circumstances set forth in items (iii), (v) and (vi) of the preceding paragraph may, pursuant to the bylaws or the authorization of the shareholders' meeting, be subject to a resolution of a meeting of the board of directors at which more than two-thirds of directors are present.

After purchasing its own shares pursuant to the provisions of the first paragraph of this article, a company shall, under the circumstance set forth in item (i), cancel them within 10 days after the purchase; while under the circumstance set forth in either item (ii) or (iv), transfer or cancel them within six months; and while under the circumstance set forth in item (iii), (v) or (vi), aggregately hold not more than 10% of the total shares that have been issued by the company, and transfer or cancel them within three (3) years.

A listed company purchasing its own shares shall perform the obligation of information disclosure according to the Securities Law. A listed company purchasing its own shares under any of the circumstances set forth in items (iii), (v) and (vi) of paragraph 1 of this article shall carry out trading in a public and centralized manner.

A company shall not accept its own shares as the subject matter of a pledge.

Transfer of shares

Shares may be transferred in accordance with the relevant laws and regulations.

Registered shares shall be transferred by means of endorsement by shareholders or by such other means as provided for by laws or administrative regulations; and after such transfer, the company shall register the names or titles and domiciles of the transferees in its roster of shareholders. No registration of modification to the roster of shareholders as stipulated by the preceding paragraph shall be made within the period of 30 days prior to the convening of a meeting of the shareholders' general meeting or within the period of 5 days prior to the date of record on which the company decides to distribute dividends.

Transfer of bearer shares shall become effective immediately after a shareholder delivers such share certificates to a transferee.

Shares held by the promoters of a company shall not be transferred within one year from the date the company is incorporated. Directors, supervisors and senior managers of a company shall declare to the company the numbers of the company's shares held by them and the changes of the shares they hold, and the number of the company's shares annually transferred by each of them during their term of office shall not exceed 25% of the total number of the company's shares held by them respectively; The company's shares held by the persons mentioned above shall not be transferred within six months after they leave office. The company's articles of association may stipulate other restrictive provisions on the transfer of the company's shares held by the directors, supervisors and senior managers of the company.

Shareholders

Shareholders have such rights and obligations as set forth in the articles of association of a company. The articles of association of a company are binding on each shareholder. Under the PRC Company Law and the Mandatory Provisions, the rights of a shareholder include:

(i) to attend in person or appoint a proxy to attend shareholders' general meetings, and to vote in respect of the number of shares held;

(ii) to transfer his shares in accordance with applicable laws and regulations and the articles of association of the company;

(iii) to inspect the company's articles of association, shareholders' registers, records of debentures, minutes of shareholders' general meetings, board resolutions, supervisors resolutions, financial and accounting reports and put forward proposals or raise questions about the business operations of the company;

(iv) if any directors or senior officers damages the shareholder's interests by violating law or administrative regulations or articles of association, the shareholders may lodge an action in the people's court;

(v) to receive dividends and other distributions in respect of the number of shares held;

(vi) to obtain surplus assets of the company upon its termination in proportion to his or her shareholding; to claim against other shareholders who abuse their shareholders' rights for the damages; and

(vii) any other shareholders' rights specified in the company's articles of association.

The obligations of a shareholder include the obligation to abide by the company's articles of association, to pay the subscription monies in respect of the shares subscribed for, to be liable for the company's debts and liabilities to the extent of the amount of subscription monies agreed to be paid in respect of the shares taken up by him/her, not to abuse shareholders' right to damage the interests of the company or other shareholders of the company; not to abuse the independent status of the company as a legal person and the limited liability to damage the interests of the creditors of the company and any other shareholders' obligation specified in the company's articles of association.

Shareholders' General Meeting

The shareholders' general meeting is the organ of authority of a company, which exercises its powers in accordance with the PRC Company Law.

The shareholders' general meeting exercises the following principal powers:

(i) to decide on the company's operational policies and investment plans;

(ii) to elect or replace the directors, supervisors who are not representatives of the employees and decide on matters relating to the remuneration of directors and supervisors;

(iii) to consider and approve reports of the board of directors;

(iv) to consider and approve reports of the board of supervisors;

(v) to consider and approve the company's proposed annual financial budget and financial accounts;

(vi) to consider and approve the company's proposals for profit distribution and for recovery of losses;

(vii) to decide on any increase or reduction in the company's registered capital;

(viii) to decide on the issue of bonds by the company;

(ix) to decide on issues such as merger, division, dissolution, liquidation or change of the form of the company and other matters;

(x) to amend the articles of association of the company; and

(xi) other powers specified in the articles of association of the company.

A shareholders' general meeting is required to be held once every year. An extraordinary shareholders' general meeting is required to be held within two months after the occurrence of any of the following circumstances:

(i) the number of directors is less than the number provided for in the PRC Company Law or less than two-thirds of the number specified in the company's articles of association;

(ii) the losses of the company which are not made up reach one-third of the company's total paid up share capital; a request by a shareholder that holds, or by shareholders that hold in aggregate, 10% or more of the company's shares;

(iii) when deemed necessary by the board of directors;

(iv) when the board of supervisors proposes convening it; or

(v) other matters required by the company's articles of association.

Shareholders' general meetings shall be convened by the board of directors, and presided over by the chairman of the board of directors. If the chairman is incapable of performing or not performing his duties, the meeting shall be presided over by the vice chairman. If the vice chairman is incapable of performing or not performing his duties, a director nominated by more than half of directors shall preside over the meeting. Where the board of directors is incapable of performing or not performing its duties of convening the shareholders' general meeting, the board of supervisors shall convene and preside over such meeting in a timely manner. In case the board of supervisors fails to convene and preside over such meeting, shareholders alone or in aggregate holding more than 10% of the total shares of the company for ninety (90) days consecutively may unilaterally convene and preside over such meeting.

Notice of the shareholders' general meeting shall be given to all shareholders twenty (20) or fifteen (15) days before the meeting under the PRC Company Law, stating the matters to be considered at the meeting.

Shareholders present at a shareholders' general meeting have one vote for each share they hold, but the company shall have no vote for any of its own shares the company holds.

Resolutions proposed at the shareholders' general meeting shall be adopted by more than half of the voting rights cast by shareholders present (including those represented by proxies) at the meeting, with the exception of matters relating to merger, division, dissolution, increase or reduction in registered capital, change in the form of the company or amendments to the articles of association which shall be adopted by shareholders with two-thirds or more of the voting rights cast by shareholders present (including those represented by proxies) at the meeting.

Shareholders may entrust a proxy to attend shareholders' general meetings on his or her behalf by a power of attorney which sets forth the scope of exercising the voting rights.

There is no specific provision in the PRC Company Law regarding the number of shareholders constituting a quorum in a shareholders' meeting. The Mandatory Provisions require class meetings to be held in the event of a variation or derogation of the class rights of a class. Holders of domestic invested shares and holders of overseas listed foreign invested shares are deemed to be different classes of shareholders for this purpose.

Where holders of bearer shares intend to attend a meeting of the shareholders' general meeting, they shall deposit their share certificates with the company for a period beginning from five (5) days prior to the convening of the meeting to the end of the meeting.

Derivative Action by Minority Shareholders

The PRC Company Law gives shareholders of a joint stock limited company the right to initiate proceedings in the people's court to restrain the implementation of any resolution passed by the shareholders in a general meeting, or by the board of directors, that violates any law or infringes the lawful rights and interests of the shareholders. The PRC Company Law also provides that the shareholder can initiate proceedings if the director or senior management of a company violates the law, administrative regulation or articles of association of the company and thus infringe the shareholders' interest. The Mandatory Provisions further provide remedies to the company against directors, supervisors and senior management in breach of their duties to the company. In addition, every director and supervisor of a joint stock limited company applying for a listing of its foreign shares on the Stock Exchange is required to give an undertaking in favor of the company to comply with the company's articles of association. This allows minority shareholders to act against the directors and supervisors in default.

Protection of Minority Shareholders

Under Hong Kong law, a shareholder who complains that the affairs of a company incorporated in Hong Kong are conducted in a manner unfairly prejudicial to his interests may petition to court to either wind up the company or make an appropriate order regulating the affairs of the company. In addition, on the application of a specified number of members, the Financial Secretary of the Hong Kong government may appoint inspectors who are given extensive statutory powers to investigate the affairs of a company incorporated in Hong Kong. The PRC Company Law provides that where any company encounters any serious difficulty in its operations or management so as that the interests of the shareholders will face serious loss if the company continues to exist and such difficulty cannot be resolved by any other means, the shareholders holding ten percent or more of the voting rights of all the issues shares of the company may plead the people's court to dissolve the company.

Board of Directors

A company shall have a board of directors, which shall consist of 5 to 19 members and there can be staff representatives of the company. Under the PRC Company Law, each term of office of a director shall not exceed three years. A director may serve consecutive terms if re-elected.

Meetings of the board of directors shall be convened at least twice a year, notice of such meeting shall be given to all directors and supervisors at least ten (10) days before the meeting. The board of directors may provide for a different method of giving notice and notice period for convening an extraordinary meeting of the board of directors.

Under the PRC Company Law, the board of directors exercises the following powers:

(i) to convene the shareholders' general meeting and report on its work to the shareholders;

(ii) to implement the resolution of the shareholders' general meeting;

(iii) to decide on the company's business plans and investment plans;

(iv) to formulate the company's proposed annual financial budget and final accounts;

(v) to formulate the company's proposals for profit distribution and for recovery of losses;

(vi) to formulate proposals for the increase or reduction of the company's registered capital and the issue of corporate bonds;

(vii) to prepare plans for the merger, division, dissolution or change of the form of the company;

(viii) to decide on the company's internal management structure;

(ix) to appoint or dismiss the company's general manager, and based on the president's recommendation, to appoint or dismiss deputy general manager and financial officers of the company and to decide on their remuneration;

(x) to formulate the company's basic management system; and

(xi) any other power given under the articles of association of the company.

In addition, the Mandatory Provisions provide that the board of directors is also responsible for formulating the proposals for amendment of the articles of association of a company.

Meetings of the board of directors shall be held only if more than half of the directors are present. Resolutions of the board of directors require the approval of more than half of all directors.

If a director is unable to attend a board meeting, he may appoint another director by a written power of attorney specifying the scope of the authorization to attend the meeting on his behalf.

If a resolution of the board of directors violates the laws, administrative regulations or the company's articles of association as a result of which the company sustains serious losses, the directors participating in the resolution are liable to compensate the company. However, if it can be proven that a director expressly objected to the resolution when the resolution was voted on, and that such objections were recorded in the minutes of the meeting, such director may be relieved of that liability.

Qualification of Directors

Under the PRC Company Law, the following persons may not serve as a director of a company:

(i) persons without civil capacity or with restricted civil capacity;

(ii) persons who have committed the offense of corruption, bribery, taking of property, misappropriation of property or destruction of the social economic order, and have been sentenced to criminal punishment, where less than five years have elapsed since the date of completion of the sentence; or persons who have been deprived of their political rights due to criminal offense, where less than five years have elapsed since the date of the completion of implementation;

(iii) persons who are former directors, factory managers or managers of a company or enterprise which has become bankrupt and been liquidated due to mismanagement and who are personally liable for the bankruptcy of such company or enterprise, where less than three years have elapsed since the date of the completion of the bankruptcy and liquidation of the company or enterprise;

(iv) persons who have been legal representatives of a company or enterprise which had its business license revoked or business operation shut down due to violation of the law and who are personally liable, where less than three years have elapsed since the date of the revocation of the business license;

(v) persons who have a relatively large amount of debt due and outstanding; or

(vi) other circumstances under which a person is disqualified from acting as a director of a company are set out in the Mandatory Provisions, which have been incorporated in the Articles of Association.

The board of directors shall appoint a chairman, who is elected with approval of more than half of all the directors. The chairman of the board of directors exercises, among others, the following powers:

(i) to preside over shareholders' general meetings and convene and preside over meetings of the board of directors; and

(ii) to check on the implementation of the resolutions of the board of directors.

The legal representative of a company in accordance with the Mandatory Provisions, is the chairman of the board of directors. The Special Regulations provide that a company's directors, supervisors, managers and other officers bear fiduciary duties and the duty to act diligently. They are required to faithfully perform their duties, protect the interests of the company and not to use their positions for their own benefit. The Mandatory Provisions (which have been incorporated into the Articles of Association, a summary of which is set out in "Appendix V—Summary of Articles of Association") contain further elaborations of such duties.

Directors shall be liable for the resolutions adopted by the board of directors. Where a resolution of the board violates laws, administrative regulations, or the company's articles of association, and thus causes serious losses to the company, the directors participating in the adoption of such a resolution shall be liable for compensation to the company. However, where a director is proved to have expressed his objection to such a resolution when it was put to the vote and his objection was recorded in the minutes of the meeting, he may be exempted from such liability.

Supervisors

A company shall have a board of supervisors composed of not less than three members. Each term of office of a supervisor is three years and he may serve consecutive terms if re-elected. A supervisor shall continue to perform his duties in accordance with the laws, administrative regulations and articles of association until a re-elected supervisor takes office, if re-election is not conducted in a timely manner upon the expiry of his term of office or if the resignation of supervisor results in the number of supervisors being less than the quorum. The board of supervisors is made up of shareholders' representatives and an appropriate proportion of the company's staff representatives; and the percentage of the number of the company's staff representatives shall not be less than one-third. Directors and senior management shall not act as supervisors.

Requirements in relation to the power of the board of supervisors under the PRC Company Law are as follows:

(i) to examine the company's financials;

(ii) to supervise the directors and senior management in their performance of duties and to propose the removal of any director or senior management who violates the laws, regulations, articles of association or shareholders' resolution;

(iii) to require any director or senior management whose act is detrimental to the company's interests to rectify such act;

(iv) to propose the convening of extraordinary shareholders' general meetings and, in the event that the board of directors fails to perform the duties of convening and presiding shareholders' meetings, to convene and preside over shareholders' meetings;

(v) to propose any motions to shareholders' general meetings;

(vi) to commence any action against any directors or senior management; and

(vii) other powers specified in the company's articles of association.

The circumstances under which a person is disqualified from being a director of a company described above apply mutates mutandis to supervisors of a company.

The Special Regulations provide that a company's directors and supervisors shall have fiduciary duties. They are required to faithfully perform their duties, protect the interest of the company and not to use their positions for their own benefit.

Supervisors may attend board meetings and make enquiries or proposals in respect of board resolutions. The board of supervisors or (where there is no board of supervisors) the supervisors of a company may initiate investigations into any irregularities identified in the operation of the company and, where necessary, may engage an accountant to assist in their work. Expenses incurred by the board of supervisors to exercise their power shall be borne by the company.

Meetings of the board of supervisors shall be convened at least every six months. Interim meetings of the board of supervisors can be convened by the supervisors. According to the PRC Company Law, resolutions of the board of supervisors require the approval of more than half of all supervisors, and pursuant to the *Letter of Opinions on the Supplementation and Amendment of Articles of Association of Companies Listing in Hong Kong* (Zheng Jian Hai Han [1995] No. 1) (《關於到香港上市公司對公司章程作補充修改的意見的函》證監海函[1995]1號) promulgated by the CSRC on April 3, 1995, resolutions of the board of supervisors require the approval of more than two-thirds of all supervisors. Each supervisor shall have one vote for resolutions to be approved by the board of supervisors. Minutes shall be prepared in respect of matters considered at the meeting of the board of supervisors and supervisors attending the meeting shall sign to endorse such minutes.

The board of supervisors shall have one chairman and may have one vice-chairman. Both shall be elected by more than half of all the supervisors. The chairman of the board of supervisors shall convene and preside over the meeting of the board of supervisors; where the chairman of the board of supervisors cannot perform the functions or fails to do so, the vice-chairman shall convene and preside over the meeting of the board of supervisors; and where the vice-chairman cannot perform the functions or fails to do so, a supervisor jointly elected by half or more of the supervisors shall convene and preside over the meeting of the board of supervisors.

Managers and Other Senior Officers

"Senior manager" refers to the manager, vice manager, person in charge of finance of a company, and the secretary of the board of directors of a listed company as well as any other person as stipulated in the articles of association.

A company shall have a manager who shall be appointed or removed by the board of directors. The manager is accountable to the board of directors and may exercise the following powers:

(i) in charge of the production, operation and management of the company and arrange for the implementation of resolutions of the board of directors;

(ii) arrange for the implementation of the company's annual business and investment plans;

(iii) formulate plans for the establishment of the company's internal management structure;

(iv) formulate the basic administration system of the company;

(v) formulate the company's internal rules;

(vi) recommend the appointment and dismissal of deputy managers and any financial officer and appoint or dismiss other senior administration officers (other than those required to be appointed or dismissed by the board of directors);

(vii) attend board meetings as a non-voting attendant; and

(viii) other powers conferred by the board of directors or the company's articles of association.

The Special Regulations and the Mandatory Provisions provide that the other senior management officers of a company include the financial officer, secretary of the board of directors and other executives as specified in the articles of association of the company.

The circumstances under which a person is disqualified from being a director of a company also apply to managers and officers of the company.

The articles of association of a company shall have binding effect on the shareholders, directors, supervisors, managers and other senior management of the company. Such persons shall be entitled to exercise their rights, apply for arbitration and issue legal proceedings according to the articles of association of the company. The provisions of the Mandatory Provisions regarding the senior management of a company have been incorporated in the Articles of Association.

Duties of Directors, Supervisors and Senior Officers

None of the following persons shall serve as a director, supervisor, or senior officers of a company:

(i) a person who has no or limited capacity for civil conduct;

(ii) a person who was sentenced to criminal punishment for embezzlement, bribery, seizure of property or misappropriation of property or for sabotage of the socialist market economic order, where less than five years have elapsed after the expiration of the period of execution; or a person who was deprived of his political rights for the commission of a crime, where less than five years have elapsed after the expiration of the period of execution;

(iii) a person who, being a director or the head or manager of a company or enterprise that went into bankruptcy and liquidation, was personally liable for the bankruptcy of the said company or enterprise, where less than three years have elapsed from the date liquidation of the company or enterprise is completed;

(iv) a person who, being the legal representative of a company or an enterprise, the business license of which was revoked for violation of law and which was ordered to close down, was personally liable for the above, where less than three years have elapsed from the date the business license of the company or enterprise is revoked; and

(v) a person who fails to liquidate a relatively large amount of personal debts when they are due.

A director, supervisor and senior officer of a company are required under the PRC Company Law to comply with the relevant laws, regulations and the company's articles of association, carry out their duties honestly and protect the interests of the company. They are also prohibited from abusing their powers to accept bribes or other unlawful income and from misappropriating the company's properties. Directors and senior management are prohibited from:

(i) misappropriation of company funds;

(ii) deposit of company funds into accounts under their own name or the name of other individuals;

(iii) loaning company funds to others or providing guarantees in favor of others supported by the company properties in violation of the articles of association or without prior approval of the shareholders' general meeting or board of directors;

(iv) entering contracts or deals with the company in violation of the articles of association or without prior approval of the shareholders' general meeting or board of directors;

(v) using their position to procure business opportunities for themselves or others that should have otherwise been available to the company or operating for their own benefit or managing on behalf of others businesses similar to that of the company without prior approval of the shareholders' general meeting;

(vi) accepting for their own benefit commissions from other parties dealing with the company;

(vii) unauthorized divulgence of confidential information of the company; or

(viii) other acts in violation of their duty of loyalty to the company.

A director, supervisor and senior officer of a company is also under a duty of confidentiality to the company.

A director, supervisor and senior officer who contravenes any law, regulation or the company's articles of association in the performance of his duties which results in any loss to our company shall be personally liable to the company.

The Special Regulations and the Mandatory Provisions provide that a director, supervisor and senior officer of a company owe fiduciary duties to the company and are required to perform their duties faithfully and to protect the interests of the company and not to make use of their positions in the company for their own benefit.

Where the attendance of a director, supervisor, or senior officer is requested by the shareholders' general meeting, such director, supervisor, or other senior officer shall attend the meeting as requested and answer enquiries of shareholders. Directors and senior officers shall furnish with all truthfulness facts and information to the board of supervisors without obstructing the discharge of duties by the board of supervisors.

A company shall not directly, or through its affiliate, provide loans to any director, supervisor or senior management and shall regularly disclose to the shareholders any information regarding remunerations received by the directors, supervisors or senior management of the company.

Finance and Accounting

A company shall establish its financial and accounting systems according to laws, administrative regulations and the provisions of the responsible financial department of the State Council and at the end of each financial year, prepare a financial report which shall be audited and verified as provided by law.

A company shall deposit its financial statements at the company for inspection by the shareholders at least 20 days before the convening of the annual general meeting of shareholders. A company incorporated by public subscription must publish its financial statements.

The common reserve of a company comprises the statutory surplus reserve, the discretionary common reserve and the capital common reserve.

When distributing each year's after-tax profits, the company shall set aside 10% of its after-tax profits for the company's statutory surplus reserve (except where the reserve has reached 50% of the company's registered capital). After a company has made an allocation to its statutory common reserve from its after-tax profits, subject to a resolution of the shareholders' general meeting, the company may make an allocation to a discretionary common reserve.

When the company's statutory surplus reserve is not sufficient to make up for the company's losses of the previous years, current year profits shall be used to make up for the losses before allocations are set aside for the statutory surplus reserve.

After the company has made up for its losses and make allocations to its statutory surplus reserve the remaining profits could be available for distribution to shareholder in proportion to the number of shares held by the shareholders except as otherwise provided in the articles of association of such company limited by shares.

The capital common reserve of a company is made up of the premium over the nominal value of the shares of the company on issue and other amounts required by the relevant governmental authority to be treated as the capital common reserve.

The common reserve of a company shall be applied for the following purposes:

(i) to make up the company's losses other than the capital common reserve;

(ii) to expand the business operations of the company; and

(iii) to increase the registered capital of the company by the issue of new shares to shareholders in proportion to their existing shareholdings in the company or by increasing the nominal value of the shares currently held by the shareholders. If the statutory surplus reserve is converted into registered capital, the balance of the statutory surplus reserve after such conversion shall not be less than 25% of the registered capital of the company before such conversion.

The company shall have no other accounting books except the statutory accounting books. The company's assets shall not be deposited in any accounts opened in the name of an individual.

Appointment and Retirement of Auditors

The Special Regulations require a company to employ an independent PRC qualified accounting firm to audit the company's annual report and to review and check other financial reports.

The auditors are to be appointed for a term commencing from the close of an annual general meeting and ending at the close of the next following annual general meeting.

Appointment or dismissal of auditors in charge of the auditing business of a company shall be subject to decision by the shareholders' general meeting or the meeting of the board of directors in accordance with the provisions of the company's articles of association. Where the shareholders' meeting, the shareholders' general meeting or meeting of the board of directors of a company votes on the dismissal of an accounting firm, it shall allow the accountants to state their opinions. A company shall provide authentic and complete accounting vouchers, accounting books, financial and accounting reports and other accounting data to the accountants it appoints, and shall not refuse to do so, or conceal the facts or make false reports about them. The period of appointment of the accountants starts from the date when the first annual shareholders meeting ends to the date when the next annual shareholders meeting ends.

If a company removes or ceases to continue to appoint the auditors, it is required by the Special Regulations to give prior notice to the auditors and the auditors are entitled to make representations before the shareholders in general meeting. The appointment, removal or non re-appointment of auditors shall be decided by the shareholders at shareholders' general meetings and shall be filed with the CSRC for record.

A company shall not have any other accounting books in addition to the statutory accounting books. No accounts shall be opened in the name of any individual for deposit of the assets of a company.

Distribution of Profits

The PRC Company Law provides that a company is restricted from distributing profits before accumulated losses have been made up and statutory common reserve has been drawn. The Special Regulations provide that the dividends and other distributions to be paid to holders of overseas listed foreign invested shares shall be declared and calculated in Renminbi and paid in foreign currency. Under the Mandatory Provisions, the payment of foreign currency to shareholders shall be made through a receiving agent.

Amendments to Articles of Association

Any amendments to the company's articles of association must be made in accordance with the procedures set forth in the company's articles of association. Any amendment of provisions incorporated in the articles of association in connection with the Mandatory Provisions will only be effective after approval by the companies approval department authorized by the State Council and the CSRC. In relation to matters involving the company's registration, its registration with the authority must also be changed.

Dissolution and Liquidation

Under the PRC Company Law, a company shall be dissolved in any of the following events:

(i) the term of its operations set down in its articles of association has expired or events of dissolution specified in its articles of association have occurred;

(ii) the shareholders in general meeting have resolved to dissolve the company;

(iii) the company is dissolved by reason of its merger or demerger;

(iv) the company is subject to the revocation of business license, a closure order or elimination in accordance with laws; or

(v) in the event that the company encounters substantial difficulties in its operation and management and its continuance shall cause a significant loss, in the interest of shareholders, and where this cannot be resolved through other means, shareholders who hold more than 10% of the total shareholders' voting rights of the company may present a petition to the people's court for the dissolution of the company.

Where the company is dissolved in the circumstances described in (i), (ii), (iv) and (v) above, a liquidation committee must be formed within fifteen (15) days after the occurrence of the cause of dissolution so as to carry out liquidation. Members of the liquidation committee shall be composed of the directors or people as determined by the shareholders' meeting.

If a liquidation committee is not established within the stipulated period, the company's creditors can apply to the people's court for its establishment.

The liquidation committee shall notify the company's creditors within ten days (10) after its establishment, and issue a public notice in the newspapers within sixty (60) days. A creditor shall lodge his claim with the liquidation committee within thirty (30) days after receiving notification, or within forty five (45) days of the public notice if he did not receive any notification. The liquidation committee shall exercise the following powers during the liquidation period:

(i) to handle the company's assets and to prepare a balance sheet and an inventory of the assets;

(ii) to notify creditors or issue public notices;

(iii) to deal with and settle any outstanding business of relevant company;

(iv) to pay any tax overdue;

(v) to settle the company's claims and liabilities;

(vi) to handle the surplus assets of the company after its debts have been paid off; and

(vii) to represent the company in civil lawsuits.

If the company's assets are sufficient to meet its liabilities, they shall be applied towards the payment of the liquidation expenses, wages owed to the employees and labor insurance expenses, tax overdue and debts of the company. Any surplus assets shall be distributed to the shareholders of the company in proportion to the number of shares held by them.

During the liquidation period, a company shall not engage in operating activities unrelated to the liquidation.

If the liquidation committee becomes aware that the company does not have sufficient assets to meet its liabilities, it must immediately apply to the people's court for a declaration for bankruptcy according to the laws. Following such declaration, the liquidation committee shall hand over all affairs of the liquidation to the people's court.

Upon completion of the liquidation, the liquidation committee shall submit a liquidation report to the shareholders' general meeting or the people's court for confirmation. Thereafter, the report shall be submitted to the company registration authority in order to cancel the company's registration, and a public notice of its termination shall be issued.

Members of the liquidation committee are required to discharge their duties honestly and in compliance with relevant laws. A member of liquidation committee is liable to indemnify the company and its creditors in respect of any loss arising from his willful or material default.

Loss of Share Certificates

A shareholder may apply, in accordance with the relevant provisions set out in the PRC Civil Procedure Law, to a people's court in the event that share certificates in registered form are either stolen or lost, for a declaration that such certificates will no longer be valid. After such a declaration has been obtained, the shareholder may apply to the company for the issue of replacement certificates.

The Mandatory Provisions provide for a separate procedure regarding loss of H share certificates, which has been incorporated in the Articles of Association

Merger and Separation

Companies may merge through merger by absorption or through the establishment of a newly merged entity. If it merges by absorption, the company which is absorbed shall be dissolved. If it merges by forming a new corporation, both companies will be dissolved.

As for a corporate merger, both parties to the merger shall conclude an agreement with each other and formulate balance sheets and checklists of properties. The companies involved shall, within ten (10) days as of making the decision of merger, notify the creditors, and shall make a public announcement in a newspaper within thirty (30) days. The creditors may, within thirty (30) days as of the receipt of the notice or within forty five (45) days as of the issuance of the public announcement if it fails to receive a notice, require the company to clear off its debts or to provide corresponding guarantees. In the case of a merger, the credits and debts of the companies involved shall be succeeded by the company that survives the merger or by the newly established company.

As for the separation of a company, the properties thereof shall be divided accordingly, and balance sheets and checklists of properties shall be worked out. The company shall, within ten (10) days as of the day when the decision of division is made, notify the creditors and make a public announcement in a newspaper within thirty (30) days. The post-division companies shall bear joint liabilities for the debts of the former company before it is divided, unless it is otherwise prescribed by the company and the creditors before the division with regard to the clearance of debts in written agreement.

LAWS AND REGULATIONS RELATION TO THE FINANCIAL LEASING

The *Administrative Measures of Supervision on Financial Leasing Enterprises* (Shang Liu Tong Fa[2013]No. 337) (《融資租賃企業監督管理辦法》商流通發[2013]337號) (the "Administrative Measures") was formulated by the MOFCOM and became effective on 1 October 2013. According to the Administrative Measures, MOFCOM and the provincial-level commerce authorities are in charge of the supervision and administration of financial leasing enterprises. A financial leasing company shall report, according to the requirements of the MOFCOM, the relevant data in a timely and truthful manner through the National Financial leasing company Management Information System. Specifically, a financial leasing enterprise shall, submit, within 15 business days after the end of each quarter, the statistics on and summary of its operation in the preceding quarter, and statistics on and summary of its operation in the preceding year as well as its financial and accounting report (including appended notes thereto) audited by an auditing firm for the preceding year prior to 30 April of each year. In the event of change of name, relocation to another region, increase or decrease of registered capital, change of organizational form, adjustment of ownership structure or other changes, a financial leasing company shall report to the competent provincial-level commerce authority in advance. A foreign-invested financial leasing company that undergoes the said changes shall go through approval and other procedures according to the relevant provisions. A financial leasing company shall, within five working days after registering the said changes, logs into the National Financial leasing company Management Information System to modify the above information.

Financial leasing enterprises should use real substances, which have clear ownership and enable to generate revenue, as lease to carry out the financial leasing business. Financial leasing enterprises shall not engage in deposits, loans, entrusted loans or other financial services or inter-bank borrowing unless the permission was granted from relevant authorities. Financial leasing enterprises must not carry out illegal fund-raising activities under the name of a financial leasing company. According to the Administrative Measures, financial leasing enterprises shall strengthen their internal risk controls, and establish good systems for classifying at risk assets, and adopting a credit appraisal system for the lessee, a post recovery and disposal system and a risk alert mechanism. A financial leasing company shall also establish an affiliated transaction management system, and exclude the persons related to the affiliated transactions from the voting or decision-making process for affiliated transactions where the lessee is an affiliate. In the event of any purchase of equipment from an affiliated production company, the settlement price for such equipment shall not be significantly lower than the price offered by such company to any third party of such equipment or the equipment of the same batch.

The Administrative Measures also contains regulatory provisions specifically focusing on the sale-and-leaseback transaction. The subject matter of a sale-and-leaseback transaction shall be those properties that can give play to its economic functions and produce continuous economic benefits. A financial leasing company shall not accept any property, to which a lessee has no title, or on which any mortgage has been created, or which has been sealed up or seized by any judicial organ, or whose ownership has any other defects as the subject matter of a sale-and-leaseback transaction. A financial leasing company shall give adequate consideration to and objectively evaluate assets leased back, set purchasing prices for subject matter thereof with reference to reasonable pricing basis in compliance with accounting principles, and shall not purchase any subject matter at a price in excess of the value thereof.

Guiding Opinions on Accelerating the Development of Financial Leasing Industry (Guo Ban Fa [2015] No. 68) (《關於加快融資租賃業發展的指導意見》國辦發[2015]68號) (the "Guiding Opinion") was promulgated by the General Office of the State Council of the PRC on 31 August 2015, mainly tasking to accelerate the development of the financial leasing industry in four aspects which includes its system and mechanism reform, development in major fields, innovative development and industry supervision. According to the Guiding Opinion, there is no minimum registered capital limit for the subsidiary of the financial leasing company, the financial leasing company is allowed to sideline in commercial factoring which is related to its main business. Private capital and independent third-party service provider are supported to incorporate the financial leasing company.

Notice of the General Office of the Ministry of Commerce on Matters Concerning Adjustments to the Responsibility to Regulate Financial Leasing Companies, Commercial Factoring Companies and Pawn Shops (Shang Ban Liu Tong Han [2018] No. 165) (《商務部辦公廳關於融資租賃公司、商業保理公司和典當行管理職責調整有關事宜的通知》商辦流通函[2018]165號) was adopted by the General Office of MOFCOM on 8 May 2018. The MOFCOM has allocated the responsibility for developing the rules for business operation of financial leasing companies, commercial factoring companies, pawnshops and regulatory rules to the China Banking and Insurance Regulatory Commission (the "CBIRC"), and relevant duties shall be performed by the CBIRC since April 20 2018.

LAWS AND REGULATIONS RELATION TO THE MEDICAL EQUIPMENT

The *Comments in Response to Some Regulatory Issues about Medical Equipment Financial Leasing* (Guo Shi Yao Jian Shi[2005] No. 250) (《關於融資租賃醫療器械監管問題的答覆意見》國食藥監市[2005]250號) was promulgated by the former China Food and Drug Administration(CFDA) on June 1, 2005, clarifying that financial leasing of medical equipment is included into the scope of regulation.

The *Regulations on Supervision and Control of Medical Equipment* (Order of the state council No. 650) (《醫療器械監督管理條例》國務院令第650號) was promulgated by the State Council on May 4, 2017, and the *Administrative Measures on the Business Operation and Supervision of Medical Equipment* (Order of the CFDA No. 8) (《醫療器械經營監督管理辦法》國家食品藥品監督管理總局令第8號) was formulated by CFDA on November 17, 2017, according to which companies engaging in medical equipment shall obtain the License for Dealing in Medical Equipment (《醫療器械經營許可證》) and comply other relating regulations.

PRC LAWS AND REGULATIONS RELATING TO FOREIGN INVESTMENT

Special Administrative Measures (Negative List) for Foreign Investment Access

Investment in the PRC by foreign investors and foreign-invested enterprises shall comply with the *Special Administrative Measures (Negative List) for Foreign Investment Access* (herein refer as to "the Negative List"), which was last amended and issued by MOFCOM and NDRC on 30 June 2019 and became effective since 30 July 2019. Foreign investors shall not invest in any of the prohibited sectors specified in the Negative List. Foreign investors shall obtain a permit for foreign investment access of if they intend to invest in other sectors that are not prohibited in the Negative List, and if they intend to invest in sectors subject to limits on the proportion of foreign investment, they are not allowed to establish foreign-invested partnerships.

Law of PRC on Wholly Foreign-invested Enterprises

The *Law of the PRC on Wholly Foreign-invested Enterprises* (《中華人民共和國外資企業法》) was promulgated and became effective on 12 April 1986, and was last amended and became effective on 1 October 2016. The *Implementing Regulations of the PRC Law on Foreign-invested Enterprises* (《中華人民共和國外資企業法實施細則》) was promulgated by the State Council on 28 October 1990 and was last amended on 19 February 2014 and became effective on 1 March 2014. The *Provisional Measures on Administration of Filing for Establishment and Change of Foreign Investment Enterprises* (《外商投資企業設立及變更備案管理暫行辦法》) were promulgated by MOFCOM and became effective on 8 October 2016, and were last amended on 30 July 2017 with immediate effect. The abovementioned laws and regulations form the legal framework for the PRC Government to regulate the establishment, modification, including changes to registered capital, shareholders, corporate form, merger and split, dissolution and termination of WFOEs.

Law of the PRC on Sino-foreign Equity Joint Ventures and Regulation on the Implementation of the Law of the PRC on Sino-foreign Equity Joint Ventures

The *Law of the PRC on Sino-foreign Equity Joint Ventures* (《中華人民共和國中外合資經營企業法》) was promulgated on 8 July 1979, last amended on 3 September 2016 and became effective on 1 October 2016. The *Regulations on the Implementation of the Law of the PRC on Sino-foreign Equity Joint Ventures* (《中華人民共和國中外合資經營企業法實施條例》) was promulgated on 20 September 1983 with immediate effect, last amended on 19 February 2014 and became effective on 1 March 2014. The abovementioned laws form the legal framework for the PRC Government to regulate the establishment, modification, including changes to registered capital, shareholders, corporate form, merger and split, dissolution and termination of JVs.

Contract Law

Pursuant to the *Contract Law of the PRC* (《中華人民共和國合同法》) (the "PRC Contract Law") promulgated by the National People's Congress effective from 1 October 1999 for regulating the civil contractual relationships among natural persons, legal persons and other organizations, Chapter 14 of the PRC Contract Law sets mandatory rules about financial leasing contracts including that the financial leasing contract shall be in written format and shall include terms such as the name, quantity, specifications, technical performance and inspection method of the leased property, the lease term, the composition, payment term, payment method and currency of the rent and the ownership of the leased property upon expiration of the lease.

Under the financial leasing contracts, the lessor shall conclude a purchase contract based on the lessee's selections in respect of the seller and the leased property, and the seller shall deliver the leased property to the lessee as agreed. The lessee has the rights of a buyer when taking delivery of the leased property.

Without the consent of the lessee, the lessor may not modify relevant particulars related to the lessee of the purchase contract which has been concluded based on the lessee's selections in respect of the seller and the leased property. The lessor is not liable for personal injury or damage to the property of a third party caused by the leased property while in the possession of the lessee. However, the ownership of the leased property vests in the lessor. If they have not stipulated in which party ownership shall vest upon expiration, if such stipulation is not clear, or if ownership cannot be determined in accordance with the PRC Contract Law, the ownership of the leased property shall vest in the lessor.

Pursuant to the PRC Contract Law, unless otherwise agreed upon by the parties, the rental shall be determined according to the major part or whole of the costs for the purchasing the leased property and reasonable profits of the lessor.

Pursuant to the *Interpretation of the Supreme People's Court on Issues concerning the Application of Law in the Trial of Cases Involving Disputes over Financial Leasing Contracts* (Fa Shi [2014] No. 3) (《最高人民法院關於審理融資租賃合同糾紛案件適用法律問題的解釋》法釋[2014]3號) effective from 1 March 2014, where no legal relationship of finance leasing actually exists under a contract titled finance leasing contract, a people's court shall handle cases according to the actual legal relationships. Where the lessee sells its own property to the lessor and then leases back the property from the lessor under a finance leasing contract, the people's court shall not determine that there is no legal relationship of finance leasing simply because the lessee and the seller are the same party.

LAWS AND REGULATIONS RELATING TO LABOR

Pursuant to the *PRC Labor Law* (《中華人民共和國勞動法》) promulgated on 5 July 1994 with effect from 1 January 1995, and last revised on 29 December 2018, as well as the *PRC Labor Contract Law* (《中華人民共和國勞動合同法》) promulgated on 29 June 2007, revised on 28 December 2012 and effective from 1 July 2013, if an employment relationship is established between an entity and its employees, written labor contracts shall be executed between them. The relevant laws stipulate the maximum number of working hours per day and per week, respectively. Furthermore, the relevant laws also set forth the minimum wage. The entities shall establish and develop systems for occupational safety and sanitation, implement the rules and standards of the PRC government on occupational safety and sanitation, educate employees on occupational safety and sanitation, prevent accidents at work and reduce occupational hazards.

Pursuant to the *Interim Regulations on the Collection and Payment of Social Insurance Premiums* (《社會保險費徵繳暫行條例》) promulgated on 22 January 1999, and last revised on 24 March 2019, *Decisions of the State Council on Modifying the Basic Endowment Insurance System for Enterprise Employees* (《國務院關於完善企業職工基本養老保險制度的決定》) promulgated on 3 December 2005, *Decision of the Stock Council on Establishing the Urban Employee's Basic Medical Insurance System* (《國務院關於建立城鎮職工基本醫療保險制度的決定》) effective from 14 December 1998, the *Regulations on Unemployment Insurance* (《失業保險條例》) effective from 22 January 1999, *Regulations on Work-Related Injury Insurance* (《工傷保險條例》) promulgated on 27 April 2003 with effect from 1 January 2004, and last amended on 20 December 2010, and the *Interim Measures concerning the Maternity Insurance for Enterprise Employees* (《企業職工生育保險試行辦法》) promulgated on 14 December 1994 with effect from 1 January 1995, employers are required to register with the competent social insurance authorities and provide their employees with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, work-related injury insurance and medical insurance.

Pursuant to the *Social Insurance Law of the PRC* (《中華人民共和國社會保險法》), which was promulgated on 28 October 2010, last amended and became effective on 29 December 2018, all employees are required to participate in basic pension insurance, basic medical insurance schemes and unemployment insurance, which must be contributed by both the employers and the employees. All employees are required to participate in work-related injury insurance and maternity insurance schemes, which must be contributed by the employers. Employers are required to complete registrations with local social insurance authorities. Moreover, the employers must timely make all social insurance contributions. Except for mandatory exceptions such as force majeure, social insurance premiums may not be paid late, reduced or be exempted. Where an employer fails to make social insurance contributions in full and on time, the social insurance contribution collection agencies shall order it to make all or outstanding contributions within a specified period and impose a late payment fee at the rate of 0.05% per day from the date on which the contribution becomes due. If such employer fails to make the overdue contributions within such time limit, the relevant administrative department may impose a fine equivalent to one to three times the overdue amount.

Pursuant to the *Administrative Regulations on the Housing Provident Fund* (《住房公積金管理條例》) effective from 3 April 1999, and last amended on 24 March 2019, enterprises are required to register with the competent administrative centers of housing provident fund and open bank accounts for housing provident funds for their employees. Employers are also required to timely pay all housing fund contributions for their employees. Where an employer fails to submit and deposit registration of housing provident fund or fails to go through the formalities of opening housing provident fund accounts for its employees, the housing provident fund management center shall order it to go through the formalities within a prescribed time limit. Failing to do so at the expiration of the time limit will subject the employer to a fine of not less than RMB10,000 and up to RMB50,000. When an employer fails to pay housing provident fund due in full and in time, housing provident fund center is entitled to order it to rectify, failing to do so would result in enforcement exerted by the court.

This appendix sets out the summary of the principal provisions of the articles of association and their subsequent amendments which will be effective from the date falling which the H Shares are listed on the Stock Exchange. The principal objective of this appendix is to provide potential investors with an overview of the articles of association, hence it does not contain all information that may be important to potential investors. As stated in the section "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix VII of this prospectus, the full Chinese text of the articles of association is available for inspection.

SHARES

Shares and Registered Capital

The shares of the Company shall take the form of equity.

The Company shall have ordinary shares at all times.The Company may set other types of shares subject to needs, upon approval by examination and approval department authorized by the State Council.

The Company shall issue shares in an open, fair and just manner, and each share of the same class shall have the equal rights. The issuing conditions and price for each share of the same class issued at the same time shall be the same and each share subscribed by any entity or individual shall be subscribed at the same price.

Upon approval by the securities regulatory authority of the State Council, the Company may offer its shares to both domestic and foreign investors. Subject to the Company's plans to issue overseas-listed foreign shares and domestic shares approved by the securities regulatory authority of the State Council, the Board of the Company may make implementation arrangements for separate share issues. The Company's proposal for separate issue of overseas-listed foreign shares and domestic shares pursuant to the abovementioned may be implemented within 15 months from the date of approval by the securities regulatory authority of the State Council. If the Company separately issues overseas-listed foreign shares and domestic shares within the total number specified in the issue scheme, the respective shares shall be subscribed for in full at one time. If these shares cannot be subscribed for in full at one time under special circumstances, they may be issued in several tranches subject to the approval of the securities regulatory authority of the State Council.

Increase or Decrease of Share Capital

The Company may, subject to its business operation and development requirements, approve an increase in its capital in accordance with the relevant provisions of the articles of association.

The Company may increase its capital by the following means:

(I) the offer of new shares to non-specified investors for subscription;

(II) placement of new shares to existing Shareholders;

(III) bonus issue of new shares to existing Shareholders;

(IV) capitalization of capital reserve fund;

(V) Other methods as approved under the laws or regulations and by the securities regulatory authority of the State Council.

Any increase in capital of the Company by way of issuing new shares shall be subject to approval under the articles of association and completion of the relevant procedures as prescribed by the relevant laws and administrative regulations of China.

In accordance with the provisions of the articles of association, the Company may reduce its registered capital.

The Company shall notify its creditors within ten days from the date on which the resolution on reduction of registered capital was made and shall publish an announcement in a newspaper within thirty days therefrom. The creditors shall, within thirty days from the date of receiving the written notice, or within forty five days from the date of the public announcement for those who have not received the written notice, be entitled to require the Company to pay off its debts or to provide corresponding security.

The reduced registered capital of the Company shall not be less than the statutory minimum.

Repurchase of Shares

The Company may, in accordance with the procedures set out in the articles of association and with the approval of the relevant competent authority of China, repurchase its outstanding shares in issue for the following purposes:

(I) cancellation of shares for the purposes of reducing its capital;

(II) merging with another company that holds shares in the Company;

(III) utilizing shares for employee stock ownership plan or share incentive scheme;

(IV) requesting the Company to acquire shares held by Shareholders who vote against any resolution proposed in any shareholders' general meeting on the merger or separation of the Company;

(V) utilizing shares for conversion of corporate bonds issued by the Company which are convertible into shares;

(VI) manner as necessary for maintenance of the Company's value and Shareholders' rights and interests.

Where the Company purchases its own shares for the purposes of clauses (I) and (II) above, it shall obtain approval at the shareholders' general meeting. Where the Company purchases its own shares for the purposes of clauses (III), (V) and (VI) above, it shall obtain approval of more than two-thirds of the Directors present at the meeting of the Board as stipulated in the articles of association or authorized by the general meeting.

Following the acquisition of its shares in accordance with the provisions above, such shares shall be cancelled within ten days from the date of acquisition in the case of clause (I) and transferred or cancelled within six months in the case of clauses (II) and (IV) above. Shares held by the Company in aggregate for the purpose of clauses (III), (V) and (VI), shall not exceed 10% of the total issued shares of the Company and shall be transferred or cancelled within three years. The aggregate par value of the cancelled shares will be deducted from the Company's registered capital.

The Company may repurchase its shares in any of the following ways with approval from the relevant competent authorities of China:

(I) making a general offer to repurchase shares from all Shareholders in the same proportion to their shareholdings;

(II) repurchasing shares through open transactions in the stock exchange;

(III) repurchasing shares based on an off-market agreement;

(IV) other ways as recognized by the securities regulatory authority of the State Council.

Where the Company has the rights to repurchase the redeemable shares:

(I) if the repurchases are not made through the market or by tender, it shall be limited to a maximum price;

(II) if the repurchases are made by tender, the tender shall be available to all Shareholders alike.

Transfer of Share

Unless otherwise provided by laws, administrative regulations and the securities regulatory authority in the place where the Company's shares were listed, the shares of the Company shall be freely transferable and free from any lien.

The Company shall not accept its shares as a pledge.

FINANCIAL ASSISTANCE FOR ACQUISITION OF THE COMPANY'S SHARES

The Company or its subsidiaries shall not, by any means and at any time, provide any kind of financial assistance to a person who is acquiring or intends to acquire shares of the Company. The said acquirer of shares of the Company includes a person who directly or indirectly assumes any obligations due to the acquisition of shares of the Company.

The Company or its subsidiaries shall not, by any means and at any time, provide financial assistance to the said acquirer for the purpose of reducing or discharging the obligations assumed by him.

The above restrictions shall not apply to the following circumstances:

(I) the provision of financial assistance by the Company is made in good faith in the interest of the Company, and the principal purpose of providing the financial assistance is not for the acquisition of shares of the Company, or the provision of the financial assistance is ancillary to a master plan of the Company;

(II) the lawful distribution of the Company's assets by way of dividend;

(III) distribution of dividends in the form of shares;

(IV) reduction of registered capital, repurchase of shares or adjustment of the shareholding structure in accordance with the articles of association;

(V) the lending of money by the Company within its scope of business and in the ordinary course of its business, provided that the net assets of the Company shall not be thereby reduced or that, although the net assets are thereby reduced, the financial assistance is provided out of the distributable profits of the Company;

(VI) the provision of money by the Company for contributions to employee stock ownership plan, provided that the net assets of the Company shall not be thereby reduced or that, although the net assets are thereby reduced, the financial assistance is provided out of the distributable profits of the Company.

SHAREHOLDERS AND SHAREHOLDERS' GENERAL MEETING

Shareholders

A Shareholder of the Company is a person who lawfully holds shares of the Company and whose name is entered in the register of members. A Shareholder shall enjoy the relevant rights and assume the relevant obligations in accordance with the class and number of shares held. Shareholders holding the same class of shares shall be entitled to the same rights and assume the same obligations.

Holders of ordinary shares of the Company shall be entitled to the following rights:

(I) to receive dividends and other forms of profit distribution in proportion to their respective shareholdings;

(II) to demand, call for, preside over, attend or designate a proxy to attend shareholders' general meetings and exercise voting rights;

(III) to supervise the business operation of the Company and give advice or raise inquiries;

(IV) to transfer, give or pledge the shares of the Company held by them in accordance with the laws, administrative regulations and the articles of association;

(V) to have access to the relevant information in accordance with laws and the articles of association, including:

1. to obtain the articles of association at cost;

2. to inspect and make photocopies at reasonable cost of the followings:

(1) the register of all Shareholders, including shareholding information of himself/herself;

(2) personal information of Directors, Supervisors, general manager and other senior management of the Company, including:

(a) present and past names and alias;

(b) principal address (residence);

(c) nationality;

(d) full-time and all concurrently held part-time occupations and positions; and

(e) identification documents and numbers.

(3) share capital status of the Company;

(4) reports on the aggregate nominal value, number, highest and lowest prices of each class of shares of the Company repurchased since the preceding financial year and all costs paid by the Company for such repurchase;

(5) minutes of shareholders' general meetings;

(6) interim reports and annual reports;

(7) a copy of the latest annual statements submitted to the Administration for Industry and Commerce of the PRC or other competent authorities (as applicable);

(8) any special resolutions;

(9) counterfoils of corporate bonds;

(10) resolutions of meetings of the Board;

(11) resolutions of meetings of the Board of Supervisors;

(12) financial statements; and

(13) the latest audited financial statements, and report of the Board, auditors and the Board of Supervisors.

The documents referred to in the sub-clauses (1), (3) to (8) shall be maintained at the residence of the Company in Hong Kong and shall be made available for inspection by the public and the holders of the overseas-listed foreign shares free of charge.

(VI) to participate in the distribution of the Company's remaining assets in proportion to his/her shareholding in the event of termination or liquidation of the Company;

(VII) to request the Company to acquire shares held by Shareholders who vote against any resolution proposed in any shareholders' general meeting on the merger or separation of the Company;

(VIII) Other rights conferred by the laws, administrative regulations, departmental regulations and the articles of association.

The Company shall not otherwise stay or infringe any rights attached to any shares on the sole basis that the holders of such shares with direct or indirect interests in such shares have failed to disclose the said interests to the Company.

If the procedures for shareholders' general meetings and meetings of the Board or the method of voting at such meetings violate the laws, administrative regulations or the articles of association, or the content of any resolution is in breach of the articles of association, the Shareholders may, within 60 days from the date on which such resolution is approved, submit a petition to the people's court to revoke the same.

If the Company suffers any losses arising from any breach of laws, administrative regulations or provisions of the articles of association by any Director or senior management members in executing the Company's duties, Shareholders who have held, separately or in aggregate, more than 1% of the shares of the Company for more than 180 consecutive days shall be entitled to make a request in writing to the Board of Supervisors to initiate litigation to the people's court. If the Company suffers any losses arising from any breach of laws, administrative regulations or provisions of the articles of association by the Board of Supervisors in executing Company's duties, Shareholders may make a request in writing to the board of directors to institute litigation at the people's court. If, upon receipt of the written request from the Shareholders as stipulated in the preceding paragraph, the Board of Supervisors or the Board refuses to initiate litigation, or fails to initiate litigation within 30 days or if, in case of emergency, failing to institute litigation immediately may cause irreparable damage to the interest of the Company, the Shareholders as mentioned in the abovementioned shall have the right to initiate litigation directly at the people's court in their own names for the interest of the Company. In the event of infringement of the Company's legal interest by a third party resulting in losses to the Company, the Shareholders mentioned in the first paragraph of this article may initiate litigation to the people's court in accordance with the preceding provisions.

If the interest of shareholders of the Company is prejudiced by any breach of laws, administrative regulations or provisions of the articles of association by any director, supervisors or senior management members of the Company, shareholders may institute litigation at the People's Court.

Holders of ordinary shares of the Company shall assume the following obligations:

(I) to comply with the laws, administrative regulations and articles of association;

(II) to pay subscription monies according to the number of shares subscribed and the method of subscription;

(III) not to withdraw from holding shares unless as required by the laws and regulations;

(IV) not to abuse the rights of Shareholders to damage the interests of the Company or other Shareholders; not to abuse the independence of the Company as a legal person and the limited liability of Shareholders to impair the interest of creditors of the Company; where the Company or other Shareholders suffer any losses resulting from a Shareholder's abuse of its rights, such Shareholder shall be responsible for compensation according to the laws; where a shareholder of the Company abuses the independence of the Company as a legal person and the limited liability of Shareholders so as to evade the obligation of repayment of debts, which materially damages the interests of creditors of the Company, such Shareholder shall bear the joint and several liability for the debts of the Company;

(V) to assume other obligations as required by the laws, administrative regulations and the articles of association.

Shareholders are not obliged to make any additional contribution to the share capital other than the conditions as agreed with the subscriber of the relevant shares on subscription.

General Rules of Shareholders' General Meeting

The Shareholder's general meeting is the organ of authority of the Company and shall lawfully exercise the following functions and powers:

(I) determine the operating policies and investment plans of the Company;

(II) to elect and replace Directors, and to determine the remuneration of such Directors;

(III) to elect and replace the Supervisors who are appointed from the shareholders' representatives and decide on the matters relating to the remuneration of the relevant Supervisors;

(IV) to consider and approve the report of the Board;

(V) to consider and approve the report of the Board of Supervisors;

(VI) to consider and approve the proposals for annual financial budgets and final accounts of the Company;

(VII) to consider and approve the proposals for profit distribution and recovery of losses;

(VIII) to resolve on matters over the increase or reduction in the Company's registered capital;

(IX) to resolve on matters over the merger, division, dissolution or liquidation of the Company or change of the Company's form;

(X) to resolve on matters over the issue of debentures by the Company;

(XI) to resolve on matters over the engagement, termination of engagement or non-renewal of engagement of accounting firm of the Company;

(XII) to amend the articles of association;

(XIII) to consider motions raised by Shareholders who represent not less than 3% (inclusive) of the total number of voting shares of the Company;

(XIV) to consider and approve guarantees required to be resolved at the shareholders' general meeting pursuant to laws, regulations and the articles of association;

(XV) to consider the acquisition or disposal of significant assets which account for more than 30% of the latest audited total assets of the Company within one year;

(XVI) to consider and approve the change of use of proceeds from the issue of Shares;

(XVII) to consider and approve the share incentive scheme;

(XVIII) to consider and approve other matters required to be resolved at the shareholders' general meeting pursuant to laws, administrative regulations, listing rules of the stock exchange of the place in which the shares of the Company are listed and the articles of association.

Without the prior approval of Shareholders granted at the shareholders' general meetings, the Company shall not enter into any contract with any party other than the Directors, Supervisors and senior management members in relation to the authorization of such party to manage all or a material part of the Company's business.

Shareholders' general meetings include annual general meetings and extraordinary general meetings. General meetings are organized and convened by the Board. The annual general meeting is held once a year, and shall take place within six months after the end of the previous accounting year.

The Board shall call an extraordinary general meeting within two months upon occurrence of any of the following circumstances:

(I) where the number of Directors falls below the number as specified in the Company Law or is less than two-thirds of Directors as provided in the articles of association;

(II) where the uncovered losses of the Company represents one-third of the total share capital of the Company;

(III) where Shareholders who hold, separately or in aggregate, 10% or more of the shares outstanding of the Company with voting rights request in writing to convene an extraordinary general meeting;

(IV) whenever the Board deems necessary or when proposed by the Board of Supervisors;

(V) other circumstances as required by the laws and regulations or the articles of association.

Convening of General Meeting

A shareholders' general meeting shall be convened by the Board and shall be chaired by the Chairman. If the Chairman is unable to attend the meeting for any reasons, such meeting shall be chaired by a Director jointly recommended by the majority of the Directors. If chairman of the meeting has not been recommended, Shareholders present at the meeting may elect one person to act as chairman of the meeting; and if the Shareholders are unable to elect the chairman due to any reasons, the Shareholder who holds the largest number of shares with voting rights (including his/her proxy) among the present Shareholders shall act as chairman of the meeting. A shareholders' general meeting convened by the Board of Supervisors shall be presided over and chaired by the chairman of the Board of Supervisors. If the chairman of the Board of Supervisors is unable or fails to perform his duties, a supervisor jointed recommended by no less than half of the supervisors shall preside over the meeting. A shareholders' general meeting convened by the shareholders shall be presided over and chaired by a representative recommended by the conveners.

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. 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 can request the Board of Directors 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 specified in the request as soon as possible. The shareholdings referred to above shall be calculated as of the date of request made.

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

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

Proposals at General Meeting

As a general meeting is convened, the Board, the Board of Supervisors and 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 at least ten days prior to the general meeting date. The convener shall then send a supplemental notice to the shareholders to announce the interim proposal and submit the interim proposal to the general meeting for consideration, within two days upon receipt of such proposal.

Other than the above circumstances, the convener shall not make any change in the notice of the general meeting to the existing proposals or add any new proposal after the publication of the notice.

No extraordinary general meeting shall resolve matters not stipulated on its notice.

Resolutions at General Meeting

Resolutions of a general meeting are classified into ordinary resolutions and special resolutions. Ordinary resolutions of a general meeting shall be passed by shareholders in attendance (including proxies) holding at least half of the voting rights. Special resolutions of a general meeting shall be passed by shareholders in attendance (including proxies) holding at least two-thirds of the voting rights.

The following matters shall be passed as ordinary resolutions in a general meeting:

(I) work reports of the Board of Directors and the Board of Supervisors;

(II) profit distribution plans and plans for making up losses drafted by the Board of Directors;

(III) dismissal and remuneration of the members of the Board of Directors and the Board of Supervisors and methods of payment of their remuneration;

(IV) annual financial budgets and final accounts, balance sheets, income statements and other financial statements of the Company;

(V) matters other than those required to be passed as special resolutions pursuant to laws, administrative regulations, the listing rules of the stock exchange where the shares of the Company are listed and the Articles of Association.

The following matters shall be passed as special resolutions in a general meeting:

(I) increase or reduction in share capital of the Company and issuance of shares of any class, warrants and other similar securities;

(II) issuance of bonds by the Company;

(III) division, merger, dissolution and liquidation of the Company;

(IV) amendments to the Articles of Association;

(V) any purchase, sale of material assets or guarantee by the Company within one year with an amount exceeding 30% of the Company's latest audited total assets;

(VI) other matters specified by laws, administrative regulations or the Articles of Association and matters specified by ordinary resolutions of general meeting that are considered to be significant to the Company and shall be passed as special resolutions.

When a connected transaction is considered at a general meeting, the connected shareholders shall abstain from voting. The voting shares held by connected shareholders shall not be counted in the total number of shares with voting rights. The announcement of the resolutions of the general meeting shall fully disclose the voting of the shareholders who are not connected parties.

SPECIAL PROCEDURES FOR VOTING BY CLASS SHAREHOLDERS

Shareholders of different classes of shares are class shareholders. Class shareholders shall enjoy rights and assume obligations in accordance with laws, administrative regulations and provisions of the Articles of Association.

If the Company proposes to change or nullify the rights of a certain class of shareholders, such proposal shall be passed by a special resolution at a general meeting and be passed at the meeting convened according to the requirements of the Articles of Association for the affected class of shareholders.

The rights of a certain class of shareholders shall be deemed to have been changed or nullified in the following circumstances:

(I) to increase or decrease the number of shares of that class, or to increase or decrease the number of shares of other class which enjoy the same or more voting rights, distribution rights or other privileges;

(II) to convert part or whole of the shares of that class into another class, convert part or whole of the shares of another class into that class, or grant such conversion rights;

(III) to nullify or reduce the rights of that class of shares to receive payable dividends or cumulative dividends;

(IV) to reduce or nullify the privileged rights of that class of shares to acquire dividends or to obtain distribution of assets during liquidation of the Company;

(V) to increase, nullify or reduce the conversion, option, voting, transfer or privileged allotment rights of that class of shares or the rights of such class of shares to obtain securities issued by the Company;

(VI) to nullify or reduce the rights of that class of shares to receive amounts payable by the Company in a particular currency;

(VII) to create a new class of shares which enjoys the same or more voting rights, distribution rights or other privileges as compared with that class of shares;

(VIII) to restrict the transfer and ownership of that class of shares, or increase the restrictions;

(IX) to grant the share subscription options or share conversion options of that class or another class of shares;

(X) to increase the rights or privileges of another class of shares;

(XI) any restructuring scheme of the Company that may result in the assumption of disproportionate responsibilities by different classes of shareholders during the restructuring;

(XII) to revise or nullify the provisions in the Article of Association.

Shareholders of the affected class, whether or not otherwise having the right to vote at general meetings, shall nevertheless have the right to vote at shareholders' class meetings in respect of matters referred to in items (II) to (VIII) and (XI) to (XII) above, but interested shareholders shall not be entitled to vote at such shareholders' class meetings.

A resolution of the meeting for a certain class of shareholders shall be adopted by above two-thirds of the voting shares represented by shareholders of that class present at the meeting in accordance with provisions in the Articles of Association.

The special voting procedures for class shareholders shall not apply to the following circumstances:

(I) the Company independently, upon the approval by way of special resolution by general meeting, issues domestic shares and/or overseas listed foreign shares every twelve months, provided that the amount of each of the domestic shares and overseas listed foreign shares intended to be issued is not more than 20% of the issued and outstanding shares of the respective class;

(II) the Company's plan on issuing domestic shares and overseas listed foreign shares at time of its incorporation, which is completed within fifteen months upon the date of approval from the securities regulatory authorities of the State Council.

DIRECTORS AND BOARD

Directors

Directors shall be elected by general meeting, for a term of three years. A director may be re-elected upon expiry of his or her term of office. Before a director's term of office expires, the shareholders' 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 position to the expiration of the session of the Board of Directors 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.

The chairman shall be appointed and removed by a majority of all members in the Board of Directors. The chairman shall serve a term of 3 years subject to re-election.

A Director is not required to hold any Share of the Company.

The Company shall have independent non-executive Directors, who refer to the Directors who hold no position in the Company other than the position of Director and have no relationship with the Company and its major shareholder(s) that may prevent them from making objective and independent judgment. At least one-third of members of the Board of Directors shall be independent non-executive Directors, and the total numbers shall not fewer than three, including at least one independent non-executive Director must have appropriate professional qualification or appropriate accounting or relevant financial management expertise.

Board

The Company shall establish the Board of Directors. The Board shall consist of 9 directors and have one chairman. Directors shall comprise executive directors, non-executive directors and independent non-executive directors.

The Board shall be accountable to the general meeting and perform the following duties and powers:

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

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

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

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

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

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

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

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

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

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

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

(XII) to propose the engagement or replacing 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 a year, or the amount of guarantee, which does not exceed 30% of the most recently audited total assets;

(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 where the Shares of the Company are listed and the Articles of Association;

(XVI) other duties and powers granted by the requirements of the laws, administrative regulations, the listing rules of the stock exchange where the Shares of the Company are listed and the general meeting;

Saved as otherwise provided by the laws, administrative regulations and the Articles of Association, Resolutions by the Board on the matters referred to in the preceding paragraph shall be passed by the affirmative vote of more than one half of all of the Directors with the exception of resolutions to formulate the proposals on the increase or reduction of the Company's registered capital and the proposals on the issuance of corporate bonds, to formulate the plans for merger, division and dissolution of the Company and to formulate the proposals for any amendment to the Articles of Association, which shall require the affirmative vote of at least two-thirds of all of the Directors for adoption.

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;

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

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

Board meetings shall be convened at least four times a year, and it shall be convened by the chairman. Notices of Board meetings shall be sent to all directors and supervisors fourteen days prior to the convening date of the relevant meeting. An extraordinary Board meeting may be convened in one of the following circumstances:

(I) when proposed by shareholders representing more than one tenth of the total number of shares carrying voting rights of the Company;

(II) joint request of one-third or more of the Directors;

(III) request of the Board of Supervisors;

(IV) request of the general manager.

A Board meeting shall not be convened unless more than half of the Directors (including Directors appointed to attend on his or her behalf) are present.

Each Director shall have one vote at the Board meeting. Unless otherwise required by the Articles of Association, resolutions of the Board shall be passed by a majority vote of all directors.

When the number of dissenting votes is equal to affirmative votes, the Chairman may cast another vote.

When any Director or any associate (as defined by the definition of the Listing Rules of The Stock Exchange of Hong Kong Limited) of the Director is interested in the matters to be resolved at the Board meetings (including approval of any contracts, transaction and arrangements) or any Director is connected with enterprises involving the matters to be resolved at the Board meetings, such Director shall not be present at such meeting and shall not have the right to vote. Such Director shall not be counted in the quorum of such meeting. The Board meeting can be convened with the attendance of over half of the non-connected directors. The resolution of Board meeting shall be passed by a simple majority of non-connected directors. If less than three non-connected directors attend the Board meeting, the matters shall be submitted for the consideration of the general meeting.

Directors shall attend the meeting of the board of directors in person and shall express clear opinion on matters considered. If for any reason the directors are unable to attend, they may authorize other directors in written to vote as their wish, but the scope of authorization shall be stated in the power of attorney. The representatives of the directors attending the meeting shall exercise their authorities within the scope as authorized. Any director absent from the meeting of the Board who fails to appoint a representative is deemed to have waived their voting rights at such meeting.

The Board shall maintain minutes to record its decisions on the matters it has considered. Directors present at the meeting and the minute-taker shall sign on the minutes. The Directors shall be liable for the resolutions of the Board. If a resolution of the Board violates the laws, administrative regulations, the Articles of Association or resolutions of shareholders' general meeting, resulting in serious losses to the Company, the Directors involved in approving the resolution are liable to compensate the Company. However, if it can be proven that a Director expressly objected to the resolution during voting and that such objection is recorded in the minutes of the meeting, such Director may be released from such liability.

Borrowing Powers

Subject to compliance with applicable law and administrative regulations of the PRC and Hong Kong Listing Rules, the Company has the power to raise and borrow money, which includes, without limitations, the issue of debentures and the charging or mortgaging of part or whole of the Company's properties. The Article of Association (a) do not contain any specify provisions in respect of the manner in which borrowing power may be exercised by the Board of Directors; and (b) provisions which provide that the issue of bonds or securities must be approved by the shareholders' general meeting by way of a special resolution.

Secretary to the Board

The Company shall have a Secretary to the Board who shall be a senior management officer of the Company and shall be accountable to the Board. The Secretary to the Board shall be a natural person with necessary professional knowledge and experience, who shall be appointed by the Board. The primary duties of the Secretary to the Board are:

(I) to keep the Company's organizational documents and records intact;

(II) to ensure that the Company prepares and submits the reports and documents required by the competent institutions in accordance with laws;

(III) to ensure the proper maintenance of the Company's register of members, and to ensure the persons who are entitled to obtain the relevant records and documents of the Company are able to obtain the same on a timely basis.

A director or a senior management officer of the Company may concurrently serve as the secretary to the Board. No accountant of the accounting firm engaged by the Company shall concurrently serve as the secretary to the Board.

Where a director concurrently serves as the secretary to the Board of the Company and a certain matter is required to be done by Directors and the secretary to the Board respectively, he/she shall not do the act in his/her double capacities.

GENERAL MANAGER OF THE COMPANY

The Company shall have one general manager, who shall be appointed or dismissed by the Board.

The general manager of the Company shall be responsible to the Board and shall have the following functions:

(I) to be in charge of the management of production and operation 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, financial controller and the risk owner of the Company;

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

(VIII) other functions granted by the articles of association and the Board.

SUPERVISORS AND BOARD OF SUPERVISORS

Supervisors

The Board of Supervisors shall be composed of four shareholder representatives and two employee representatives of the Company. The shareholder representatives shall be elected and dismissed at the shareholders' general meeting, while the employee representatives shall be elected and dismissed through democratic elections organized by the Company's employees. The number of the Company's employee representative Supervisors shall be not less than one-third of the total number of Supervisors.

Neither a Director nor a senior management member of the Company shall serve concurrently as a Supervisor.

Board of Supervisors

The Company shall have a Board of Supervisors. The Board of Supervisors shall be composed of 7 Supervisors, with one of which serving as chairman of the Board of Supervisors. The election or removal of the chairman of the Board of Supervisors shall be determined by two-thirds or more of the members of the Board of Supervisors. All Supervisors shall serve for a term of three years, and are eligible for reelection.

The Board of Supervisors shall be accountable to the general meeting of shareholders and shall exercise the following functions and powers in accordance with laws:

(I) to monitor the Company's financial affairs;

(II) to supervise the Company's directors, general manager and other senior management members to see whether they violate any laws, administrative regulations or the articles of association in performing the Company's duties;

(III) to demand the Directors, general manager and other senior management members to rectify their error if they have acted in a harmful manner to the Company's interest;

(IV) to check financial information such as financial reports, operation reports and profit distribution proposals submitted by the Board to the shareholders' general meeting, and to engage, in the Company's name, certified accountants and auditors to review such information should any doubt arise in respect thereof;

(V) to propose to convene an extraordinary general meeting;

(VI) to represent the Company in negotiations with Directors or to bring a lawsuit against Directors, general manager and other senior management members in accordance with the requirements of the Company Law;

(VII) other functions and powers conferred by the articles of association.

Supervisors shall attend the Board meetings and make inquiries or suggestions on matters to be resolved by the Board.

The Supervisors' meetings shall be convened at least once every six months, and it shall be convened by the chairman of the Board of Supervisors. A Supervisor may propose for the convening of an extraordinary Supervisors' meeting. Where the Board of Supervisors' chairman is unable or fails to perform his/her duties, the majority of the Supervisors may elect a Supervisor to convene and preside over such Supervisors' meetings. Any Supervisor who fails to attend Supervisors' meetings in person for two consecutive times shall be deemed incapable of performing his/her duties and shall be removed and replaced at the shareholders' general meeting or the employee representatives' meeting.

The Supervisors' meetings can only be convened at the presence of two thirds or more of the Supervisors. Each Supervisor shall have one vote. The making of resolutions by the Board of Supervisors shall be subject to the approval of two thirds or more of all the Supervisors.

QUALIFICATIONS AND OBLIGATIONS OF THE DIRECTORS, SUPERVISORS, GENERAL MANAGER, AND OTHER SENIOR MANAGEMENT MEMBERS OF THE COMPANY

A person may not serve as a director, supervisor, or senior management member of the Company if any of the following circumstances applies:

(I) a person without civil capacity or with restricted civil capacity;

(II) a person who has committed an offense of corruption, bribery, infringement of property, misappropriation of property or sabotaging the social economic order and has been punished because of committing such offense; or who has been deprived of his political rights on committing an offense, in each case where less than five years have elapsed since the date of the completion of implementation of such punishment or deprivation;

(III) a person who is a former director, factory manager or president (manager) of a company or enterprise which has entered into insolvent liquidation due to mismanagement and he is personally liable for the insolvency of such company or enterprise, where less than three years have elapsed since the date of the completion of the insolvency and liquidation of the company or enterprise;

(IV) a person who is a former legal representative of a company or enterprise which had its business license revoked due to a violation of law and he is personally liable for that, where less than three years has elapsed since the date of the revocation of the business license of the company or enterprise;

(V) a person who has a relatively large amount of debts outstanding and past due;

(VI) a person who is under criminal investigation or prosecution by a judicial organization for violation of the criminal law where the said investigation or prosecution is not yet concluded;

(VII) a person who is not eligible for enterprise leadership according to the laws and administrative regulations;

(VIII) not a natural person;

(IX) a person convicted of contravention of provisions of relevant securities regulations by a relevant competent authority, and such conviction involves a finding that he has acted fraudulently or dishonestly, where less than five years have elapsed since the date of the conviction;

(X) other circumstances as prescribed by the laws and regulations of the place of listing of the Company's shares.

Each of the Company's directors, supervisors and senior management members shall exercise his powers or carry out his duties in accordance with the principle of fiduciary and shall not put himself in a position where his duties and his interests may be in conflict. This principle includes, without limitation, discharging the following obligations:

(I) to comply with the relevant provisions of laws, regulations and the articles of association, and work honestly and diligently, perform duties prudently, and fulfill relevant undertakings;

(II) to act honestly in the best interest of the Company;

(III) to exercise powers within the scope of his functions and powers and not to exceed those powers;

(IV) to exercise the discretion vested in him personally and not to allow himself to act under the control of another and, unless and to the extent permitted by the laws, administrative regulations or with the informed consent of shareholders given in a general meeting, not to delegate the exercise of his discretion;

(V) to treat shareholders of the same class equally and to treat shareholders of different classes fairly;

(VI) except in accordance with the articles of association or with the informed consent of shareholders given in general meeting, not to enter into any contract, transaction or arrangement with the Company;

(VII) without the informed consent of shareholders given in general meeting, not to use the Company's property for his own benefit by any means;

(VIII) not to exploit his position to accept bribes or other illegal income or infringe the property of the Company by any means, including, without limitation, opportunities advantageous to the Company;

(IX) without the informed consent of shareholders given in general meeting, not to accept commissions in connection with the Company's transactions;

(X) to abide by the articles of association, faithfully execute his duties and protect the Company's interests, and not to exploit his position and the functions and powers in the Company to advance his own private interests;

(XI) not to compete with the Company in any form without the informed consent of shareholders given in general meeting;

(XII) not to misappropriate the Company's funds or to lend the Company's funds to others, not to open accounts in his own name or other names for the deposit of the Company's assets and not to provide guarantee for the shareholder(s) of the Company or other individual(s) with the Company's assets;

(XIII) without the informed consent of shareholders given in general meeting, not to leak out confidential information relating to the Company acquired by him in the course of and during his tenure and not to use such information in purposes other than in furtherance of the interests of the Company, save that disclosure of such information to the court or other governmental authorities is permitted if:

1. such disclosure is made under compulsion of law;

2. disclosure is required for public interest;

3. disclosure is required for the interests of the such Director, Supervisor and senior management members.

In addition to any rights and remedies provided by the laws and administrative regulations, where a Director, Supervisor and senior management member of the Company is in breach of his duties to the Company, the Company has the right to:

(I) claim damages from such Director, Supervisor and senior management member in compensation for losses incurred by the Company as a result of such breach;

(II) rescind any contract or transaction entered into by the Company with such Director, Supervisor and senior management member or with a third party (where such third party knows or should know that there is such a breach of duties to the Company by such Director, Supervisor and senior management member representing the Company);

(III) demand such Director, Supervisor and senior management member to surrender the profits made by him/her as a result of breaching his/her duties;

(IV) recover any monies received by such Director, Supervisor and senior management member which should have been otherwise received by the Company, including, without limitation, commissions;

(V) demand payment of the interest earned or which may have been earned by such Director, Supervisor and senior management member on the monies that should have been paid to the Company.

FINANCIAL AND ACCOUNTING SYSTEM AND PROFIT DISTRIBUTION

Financial and Accounting System

The Company shall establish its financial and accounting system in accordance with the laws, administrative regulations and PRC accounting standards formulated by the finance regulatory department of the State Council.

At the end of each fiscal year, the Company shall prepare a financial report which shall be examined and verified in a manner prescribed by law.

The board of directors of the Company shall present before the shareholders at every annual general meeting such financial reports as are required by any laws, administrative regulations or directives promulgated by regional government and competent governmental authorities to be prepared by the Company.

The Company's financial reports shall be made available for shareholders' inspection at the Company twenty days prior the date of each annual general meeting. Each shareholder shall be entitled to obtain a copy of the financial reports referred to in this chapter. The Company shall deliver or send to each shareholder of overseas listed foreign shares by prepaid mail, the Directors' report, along with the balance sheet (including all the documents required to be attached by laws) and profit and loss statements or a copy of a report of financial summary not later than twenty-one days prior to the date of each annual general meeting. The address of the recipient shall be those registered in the register of members.

Profit Distribution

The Company's after-tax profit shall be allocated in the following order:

(I) the making up of any loss;

(II) allocation of ten percent of its after-tax profits to the statutory reserve fund;

(III) allocation to the discretionary reserve fund as approved by resolution of the shareholders' general meeting;

(IV) payment of dividend from ordinary shares to shareholders.

The shares of the Company held by the Company shall not be subject to profit distribution.

When the aggregate balance in the statutory reserve fund of the Company is over fifty percent of the registered capital of the Company, the Company shall not be required to make any further allocations to that fund.

The Company shall not distribute dividends or make any other allocations by way of bonus shares prior to its making up for any loss and allocations to the statutory reserve fund.

Any payment for shares that has been paid by shareholders before the call shall be entitled to interest, but shall not be entitled to dividends declared after the call with respect to the advance payment for shares.

The Company shall appoint receiving agent on behalf of the shareholders of overseas-listed foreign invested shares. The receiving agent shall receive, on behalf of such shareholders, any dividends or other payables distributed by the Company to them in respect of the overseas-listed foreign shares, and keep the same on behalf of such shareholders pending payment to them. The receiving agent appointed by our Company shall meet the requirements under local laws or relevant stock exchange regulations in the place of listing. The receiving agents appointed for holders of overseas-listed foreign-invested shares listed in the Hong Kong Stock Exchange shall be a company registered as a trust company under the Trustee Ordinance of Hong Kong.

Where power is given to forfeit unclaimed dividends, that power shall not be exercised until the expiry of the applicable effective period. The Company has the right to terminate the despatch of dividend warrants to holders of overseas-listed foreign shares by mail, provided that such right shall not be exercised until the dividend warrants have not been cashed for two consecutive occasions. Where the dividend warrant is, for the first time, undelivered to the addressee and returned, the Company may also exercise such right.

The Company is entitled to sell, in such manner as the Board thinks fit, any shares of an overseas-listed foreign shareholder who is untraceable, subject to the following conditions:

(I) The Company has distributed dividends for at least 3 times to such shares within 12 years, but none of such dividends was claimed;

(II) The Company, after the termination of the 12 year period, made public announcement on the newspaper(s) at the jurisdiction where the shares of the Company is listed, stating its intention to sell such shares, and notified the stock exchange(s) on which such shares are listed.

The reserve fund of the Company shall only apply for the following purposes:

(I) to cover losses;

(II) to expand the Company's operations;

(III) to convert the reserve fund into capital in order to increase the Company's capital. The Company may convert its reserve fund into its share capital upon approval by the shareholders in general meeting. When such conversion occurs, the Company shall either distribute new shares to the shareholders in proportion to their original shareholdings, or increase the par value of each share, provided that, upon capitalization of the reserve fund, the amount remaining in the reserve fund may not fall below 25% of the registered capital of the Company prior to capitalization. The capital reserve fund shall not be used to compensate any losses made by the Company.

The Company may distribute dividend in the form of:

(I) cash;

(II) shares.

APPOINTMENT OF ACCOUNTING FIRM

The Company shall retain an independent accounting firm that fulfills the requirements provided by the relevant regulations of the PRC to audit the Company's annual financial report and review the Company's other financial reports. The appointment of the first accounting firm of the Company may occur at the inauguration meeting prior to the first annual general meeting of shareholders. The term of such accounting firm shall terminate upon the conclusion of the first annual general meeting of shareholders. In case of failure to exercise such functions and powers at the inauguration meeting provided in the preceding clause, the Board shall exercise those functions and powers.

The accounting firm appointed by the Company shall have the following rights:

(I) the right to inspect at any time the books, records and vouchers of the Company, and to require the Directors, general manager and other senior management members of the Company to provide any relevant information and explanation thereof;

(II) the right to require the Company to take all reasonable steps to obtain from its subsidiaries such information and explanation as are necessary for the performance of duties of such accounting firm;

(III) the right to attend shareholders' general meetings and to receive all notices of, and other communications relating to, any shareholders' general meeting which any shareholder is entitled to receive, and to speak at any shareholders' general meeting in relation to matters concerning its role as the accounting firm of the Company.

Appointment, dismissal or non-reappointment of accounting firm by the Company shall be subject to decision at the general meeting and shall be filed with the securities regulatory authority under the State Council.

Where it is proposed that any resolution be passed at a shareholders' general meeting concerning the appointment of an accounting firm, which is not an incumbent firm, to fill a casual vacancy in the office of the accounting firm, or to reappoint a retiring accounting firm which was appointed by the Board to fill a casual vacancy, or to remove the accounting firm before the expiration of its term of office, the following provisions shall be complied with:

(I) a copy of the proposal about appointment or removal shall be sent to the accounting firm proposed to be appointed or to leave its office or the accounting firm which has left its office in the relevant fiscal year before giving the notice of shareholders' general meeting. Leaving a position includes leaving by removal, resignation and retirement.

(II) if the leaving accounting firm makes representations in writing and requests the Company to notify the shareholders of such representations, the Company shall (unless the representations are received too late):

1. in any notice given to shareholders about a resolution to be made, state the representations made by the leaving accounting firm;

2. attach a copy of the representations to the notice and deliver it to the shareholders in the manner stipulated in the articles of association.

(III) If the relevant accounting firm's representations are not sent in accordance with clause (II) herein, such accounting firm may require that the representations be read out at the shareholders' general meeting and may lodge further complaints.

(IV) An accounting firm which is leaving its office shall be entitled to attend:

1. the shareholders' general meeting relating to the expiry of its term of office;

2. any shareholders' general meeting at which it is proposed to fill the vacancy caused by its removal;

3. any shareholders' general meeting convened due to its resignation from its post.

The leaving accounting firm shall be entitled to receive all notices of, and other communications relating to, any such meetings, and to speak at any such meeting in relation to matters concerning its role as the former accounting firm of the Company.

MERGER AND DIVISION OF THE COMPANY

The merger of the Company may take the form of either merger by absorption or merger by the establishment of a new company.

In the event of a merger, the parties to the merger shall enter into a merger agreement and prepare balance sheets and a list of assets. The Company shall notify its creditors within ten days of, and shall make newspaper announcement within thirty days of, the date of the Company's resolution on merger. Creditors may, within thirty days after receipt of such notice from the Company, or within forty-five days of the date of the newspaper announcement for those who do not receive such notice, to demand that the Company repay their debts or provide a corresponding guarantee for such debts.

Upon the merger, claims and liabilities of parties to the merger shall be taken over by the continuing company or the newly established company.

In a division, the assets shall be split in an appropriate manner.

In the event of division of the Company, the parties concerned shall enter into a division agreement and prepare balance sheets and a list of assets. The Company shall notify its creditors within ten days after adoption of the resolution on division and shall make a newspaper announcement within thirty days.

The debts of the Company before division shall be borne by the companies established after division jointly and severally, save as otherwise agreed in writing between the Company and the creditors in respect of debt settlement before division.

DISSOLUTION AND LIQUIDATION OF THE COMPANY

The Company shall be lawfully dissolved and liquidated under any of the following circumstances:

(I) the shareholders' general meeting adopts a resolution to dissolve the Company;

(II) the Company needs to be dissolved for the purpose of merger or division;

(III) the business license is revoked or it is ordered to close down or be dissolved in accordance with the law;

(IV) Where the Company encounters significant difficulties in business and management, its continuous survival may be significantly detrimental to the interests of the shareholders, and the difficulties may not be overcome through other means, shareholders who hold more than 10% of the shares of the Company carrying voting rights may request the people's court to dissolve the Company;

(V) other circumstances in which the Company is required to be dissolved according to laws and regulations.

If the Company is dissolved pursuant to abovementioned clause (I), (III) or (IV), it shall establish a liquidation committee within fifteen days after the dissolution circumstance arises. The liquidation committee shall comprise members determined by the directors or the shareholders' general meeting. If the liquidation committee is not duly set up, the creditors may request the people's court to designate related persons to form a liquidation committee to carry out liquidation.

The liquidation committee shall notify creditors within ten days from the date of its establishment and make newspaper announcement within sixty days of that date.

Creditors shall, within thirty days upon receipt of the notice, or for creditors who have not personally received such notice, shall within forty-five days after the date of the first announcement, contact the liquidation committee to declare their claims. In declaring their claims, the creditors shall explain matters relating to their rights and provide a statement and evidence with respect thereof. The liquidation committee shall register creditor's rights. The liquidation committee shall not settle any debt with the creditors during the period of claim declaration.

During the liquidation period, the liquidation committee shall exercise the following functions and duties:

(I) to liquidate the Company's assets and separately prepare a balance sheet and a list of assets;

(II) to notify creditors by sending notice or by making announcement;

(III) to deal with the Company's outstanding business in relation to the liquidation;

(IV) to settle outstanding taxes;

(V) to settle all claims and debts;

(VI) to dispose of the remaining assets of the Company after the repayment of debts;

(VII) to engage in any civil proceedings on behalf of the Company.

In the event of the Company's liquidation due to dissolution, if the liquidation committee, after liquidating the Company's assets and preparing a balance sheet and a list of assets, discovers that the Company's assets are insufficient to settle its debts, it shall immediately apply to the people's court for declaration of bankruptcy.

After the Company is declared bankrupt by a ruling from the people's court, the liquidation committee shall transfer the liquidation matters to the people's court.

PROCEDURES FOR AMENDING THE ARTICLES OF ASSOCIATION

The Company shall amend its articles of association in accordance with the requirements of laws, administrative regulations, the listing rules of the stock exchange in which the Company's shares are listed, and its articles of association.

The articles of association shall be amended in the following manner:

(I) the Board shall propose a resolution to amend the articles of association;

(II) the foregoing resolution shall be furnished to the shareholders in writing for the purpose of convening a shareholders' general meeting;

(III) the resolution shall be passed by votes representing more than two-thirds of voting rights held by the shareholders present at the meeting.

SETTLEMENT OF DISPUTES

The Company shall comply with the following regulations in settlement of disputes:

(I) Whenever any disputes or claims arise between holders of the overseas-listed foreign shares and the Company, holders of the overseas-listed foreign shares and the Company's directors, supervisors, general manager and other senior management members, or holders of the overseas-listed foreign shares and holders of domestic shares, based on any rights or obligations conferred or imposed by the articles of association, the Company Law or any other relevant laws and administrative regulations concerning the affairs of the Company, such disputes or claims shall be referred by the relevant parties to arbitration.

Where a dispute or claim of rights aforementioned is referred to arbitration, the dispute or claim must be referred in its entirety to arbitration; and any person (being the Company or a Shareholder, Director, Supervisor, general manager and other senior management member of the Company) who has a cause of action based on the same facts giving rise to the dispute or claim or whose participation is necessary for the resolution of such dispute or claim, shall abide by the arbitration.

Disputes in relation to the identification of shareholders and disputes in relation to the register of members need not be referred to arbitration.

(II) A claimant may elect arbitration at either the China International Economic and Trade Arbitration Commission in accordance with its rules or the Hong Kong International Arbitration Centre in accordance with its securities arbitration rules. Once a claimant refers a dispute or claim to arbitration, the other party must submit to the arbitral body elected by the claimant.

If a claimant elects arbitration at Hong Kong International Arbitration Centre, any party to the dispute or claim may apply for hearing to take place in Shenzhen in accordance with the securities arbitration rules of the Hong Kong International Arbitration Centre.

(III) If any disputes or claims of rights prescribed in clause (I) above are referred to arbitration, the laws of the People's Republic of China shall apply, save as otherwise provided in the laws and administrative regulations.

(IV) The award of an arbitration body shall be final and conclusive and binding on all parties.

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation of Our Company

We were established in 2012 in the PRC under the PRC Company Law, and were converted to a joint stock limited liability company on August 16, 2019. We have established a principal place of business in Hong Kong at 40th Floor, Sunlight Tower, No. 248 Queen's Road East, Wanchai, Hong Kong and was registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on December 10, 2019. Mr. LEE Leong Yin has been appointed as our agent for the acceptance of service of process and notices on our behalf in Hong Kong. Our address for acceptance of service of process in Hong Kong is the same as the address of our principal place of business in Hong Kong.

As we were incorporated in the PRC, our operations are subject to the PRC Company Law and to our constitution comprising the Articles of Association. A summary of certain provisions of our constitution and relevant aspects of PRC Company Law is set out in Appendix V to this prospectus.

2. Changes in Our Share Capital

At the time of our establishment as a joint stock limited liability company, our initial registered share capital was RMB1 billion divided into 1,000,000,000 Domestic Shares of nominal value of RMB1.00 each, all of which were fully paid up and were held by our promoters.

Immediately following the completion of the Global Offering (without taking into account of any H Shares which may be issued pursuant to the Over-allotment Option), our issued share capital will increase to RMB1,333,334,000 divided into 333,334,000 H Shares and 1,000,000,000 Domestic Shares, all fully paid or credited as fully paid, representing 25% and 75% of our registered share capital, respectively.

Save as disclosed above and as mentioned in the paragraph headed "3. The Shareholder Resolutions Passed on August 29, 2019" below, there has been no alteration in our share capital within the two years immediately preceding the date of this prospectus.

3. The Shareholder Resolutions Passed on August 29, 2019

On August 29, 2019, the Shareholders passed, among other things, the following resolutions at the second extraordinary general meetings of 2019, which will stay effective within the 12 months thereafter:

(a) the issue of up to 333,334,000 H Shares by our Company (without taking into account the exercise of the Over-allotment Option), which is up to 25% of the total issued share capital (after the issue of H Shares), and subsequent listing of such H Shares on the Stock Exchange;

(b) the granting of the Over-allotment Option in respect of no more than 15% of the number of H Shares issued as set forth in paragraph (a);

(c) approving and adopting the Articles of Association, which shall only become effective from the Listing Date, and authorizing the Board which will re-delegate the authority to the chairman of the Board or otherwise authorized other person to amend the Articles of Association according to applicable laws and regulations as well as comments and requirements from relevant governmental authorities and regulatory authorities; and

(d) approving the Board and its authorized persons to handle all matters relating to, among other things, the issue and listing of H Shares on the Stock Exchange.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of Material Contracts

We have entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years preceding the date of this prospectus that are or may be material:

(a) the non-competition agreement dated December 20, 2019 entered into among Beijing Zhongguancun Development & Investment Center* (北京中關村發展投資中心), Zhongguancun Development Group Co., Ltd.* (中關村發展集團股份有限公司), 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) and the Company regarding non-competition undertakings given by Beijing Zhongguancun Development & Investment Center* (北京中關村發展投資中心), Zhongguancun Development Group Co., Ltd.* (中關村發展集團股份有限公司) and 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) in favor of the Company, the details of which are set out in "Relationship with the Controlling Shareholders—Non-competition Agreement";

(b) the cornerstone investment agreement dated December 21, 2019 entered into among the Company, United Crystal Limited (源晶有限公司), Guotai Junan Capital Limited (國泰君安融資有限公司) and Guotai Junan Securities (Hong Kong) Limited (國泰君安證券(香港)有限公司), pursuant to which United Crystal Limited (源晶有限公司) agreed to subscribe for such number of H Shares that may be purchased with Hong Kong dollars equivalent of an aggregate amount of US$10 million at the Offer Price (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee, rounded down to the nearest whole board lot of 2,000 H Share);

(c) the cornerstone investment agreement dated December 24, 2019 entered into among the Company, Yusys Technologies Co., Ltd. (北京宇信科技集團股份有限公司), Guotai Junan Capital Limited (國泰君安融資有限公司) and Guotai Junan Securities (Hong Kong) Limited (國泰君安證券(香港)有限公司), pursuant to which Yusys Technologies Co., Ltd. (北京宇信科技集團股份有限公司) agreed to subscribe for such number of H Shares that may be purchased with Hong Kong dollars equivalent of an aggregate amount of RMB30 million at the Offer Price (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee, rounded down to the nearest whole board lot of 2,000 H Share);

(d) the cornerstone investment agreement dated December 25, 2019 entered into among the Company, 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), Guotai Junan Capital Limited (國泰君安融資有限公司) and Guotai Junan Securities (Hong Kong) Limited (國泰君安證券(香港)有限公司), pursuant to which 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) agreed to subscribe for such number of H Shares that may be purchased with Hong Kong dollars equivalent of an aggregate amount of RMB50 million at the Offer Price (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee, rounded down to the nearest whole board lot of 2,000 H Share); and

(e) the Hong Kong Underwriting Agreement.

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* Translated English names of Chinese entities for which no official English translation exists are unofficial translation for identification purposes only.

2. Intellectual Property Rights of our Group

As of the Latest Practicable Date, we have registered or have applied for the registration of the following intellectual property rights which, in the opinion of our Directors, are material to our business.

(a) Trademarks

As of the Latest Practicable Date, the application had been made in Hong Kong for the registration of the following trademarks, which were licensed to our Group from ZGC Group:

No.	Trademark	Class	Applicant	Place of Registration	Application Number	Application Date
1	(a) (b)	35, 36, 42 and 45	ZGC Group	Hong Kong	304992067	July 15, 2019

(b) Domain Names

As of the Latest Practicable Date, we have registered the following domain names which we consider to be material to the business of our Group:

No.	Domain Name	Registered Owner	Date of Registration	Expiry Date
1	zgc-leasing.com	the Company	April 12, 2013	April 12, 2020
2	zgc-leasing.com.cn	the Company	April 12, 2013	April 12, 2020
3	zgclease.com.cn	the Company	April 12, 2013	April 12, 2020
4	zgclease.com	the Company	April 12, 2013	April 12, 2020
5	zgcleasewx.com	the Company	August 8, 2016	August 8, 2022

(c) Software Copyrights

As of the Latest Practicable Date, we have registered the following software copyrights which we consider to be material to the business of our Group:

No.	Software Copyrights	Registration Number	Name of Registered Proprietor	Place of Registration	Development Completion Date
1	Lease Asset Management System (租賃EAM資產管理系統)	2014SR124812	the Company	PRC	July 2, 2014
2	Technology and New Economy Enterprise Risk Management Entity Rating Initiation System v1.0 (科技與新經濟企業風險管理體系主體評級發起系統V1.0)	2019SR1236344	the Company	PRC	October 8, 2019
3	Technology and New Economy Enterprise Risk Management Entity Rating Ledger System v1.0 (科技與新經濟企業風險管理體系主體評級台賬系統V1.0)	2019SR1250176	the Company	PRC	October 10, 2019

No.	Software Copyrights	Registration Number	Name of Registered Proprietor	Place of Registration	Development Completion Date
4	Technology and New Economy Enterprise Risk Management Entity Rating Trial Balancing System v1.0 (科技與新經濟企業風險管理體系主體評級試算系統V1.0)	2019SR1250034	the Company	PRC	October 1, 2019
5	Technology and New Economy Enterprise Risk Management Debt Rating Initiation System v1.0 (科技與新經濟企業風險管理體系債項評級發起系統V1.0)	2019SR1250041	the Company	PRC	October 20, 2019
6	Technology and New Economy Enterprise Risk Management Debt Rating Ledger System v1.0 (科技與新經濟企業風險管理體系債項評級台賬系統V1.0)	2019SR1237014	the Company	PRC	October 14, 2019
7	Technology and New Economy Enterprise Risk Management Debt Rating Trial Balancing System v1.0 (科技與新經濟企業風險管理體系債項評級試算系統V1.0)	2019SR1234353	the Company	PRC	October 15, 2019
8	Technology and New Economy Enterprise Risk Management Reporting Form Management System v1.0 (科技與新經濟企業風險管理體系報表管理系統V1.0)	2019SR1238061	the Company	PRC	October 10, 2019

No.	Software Copyrights	Registration Number	Name of Registered Proprietor	Place of Registration	Development Completion Date
9	Technology and New Economy Enterprise Risk Management Model Management System v1.0 (科技與新經濟企業風險管理體系模型管理系統V1.0)	2019SR1232405	the Company	PRC	October 17, 2019
10	Technology and New Economy Enterprise Risk Management Management Cockpit System v1.0 (科技與新經濟企業風險管理體系管理駕駛艙系統V1.0)	2019SR1237883	the Company	PRC	October 1, 2019
11	Technology and New Economy Enterprise Risk Management Configuration Management System v1.0 (科技與新經濟企業風險管理體系配置管理系統V1.0)	2019SR1234258	the Company	PRC	October 15, 2019
12	Technology and New Economy Enterprise Risk Management Risk Warning System v1.0 (科技與新經濟企業風險管理體系風險預警系統V1.0)	2019SR1234271	the Company	PRC	October 22, 2019

C. FURTHER INFORMATION ABOUT OUR DIRECTORS, SUPERVISORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of Interests

(a) Interests and short positions of the Directors, Supervisors and the chief executive of our Company in the shares, underlying shares and debentures of our Company and its associated corporations

Immediately following the completion of the Global Offering (without taking into account the H Shares to be issued upon the exercise of the Over-allotment Option), none of our Directors, Supervisors or chief executives has any interests or short positions in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, under Section 352 of the SFO, to be entered in the register referred to in that section, or which will be required to be notified to us and the Stock Exchange under the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code"), once the H Shares are listed.

(b) Interests and short positions of the Substantial Shareholders in the shares and underlying shares of our Company

Save as disclosed in "Substantial Shareholders," our Directors, Supervisors or chief executive are not aware of any other person, not being a Director, Supervisor or chief executive of our Company, who has any interest or short position in the shares and underlying shares of our Company which, once the H Shares are listed, would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company.

2. Particulars of Service Contracts

Each of the Directors entered into a service contract with our Company in December 2019. 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 our 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.

Save as disclosed above, none of the Directors or Supervisors has or is proposed to have a service contract with any member of our Group (other than contracts expiring or determinable by the relevant employer within one year without the payment of compensation (other than statutory compensation)).

3. Directors' and Supervisors' Remuneration

The aggregate amounts of compensation (including fees, salaries, pension-defined contribution, discretionary bonuses, housing allowances and other allowances and benefits in kind) paid to the Directors and Supervisors during the years ended December 31, 2016, 2017 and 2018 and the six months ended June 30, 2019 were approximately RMB0.9 million, RMB1.0 million, RMB0.9 million and RMB0.9 million, respectively. For details, please refer to Note 10 of the Accountants' Report included in Appendix I to this prospectus.

Save as disclosed in this prospectus, no other payments have been paid or are payable by any member of our Group to the Directors and Supervisors for the three years ended December 31, 2018 and the six months ended June 30, 2019.

Under arrangements in force at the date of this prospectus, the aggregate remuneration payable to the Directors and Supervisors for the year ending December 31, 2019 is estimated to be approximately RMB3.8 million. The payments paid or are payable by us to Directors and Supervisors may be adjusted in accordance with the remuneration policies of relevant regulatory authorities.

4. Fees or commissions received

Save as disclosed in this prospectus, none of the Directors, Supervisors or any of the persons whose names are listed under the paragraph headed "D. Other Information—6. Qualification of Experts" below had received any commissions, discounts, agency fee, brokerages or other special terms in connection with the issue or sale of any capital of any member of our Group within the two years immediately preceding the date of this prospectus.

5. Disclaimers

Save as disclosed in this prospectus:

(a) none of our Directors, Supervisors or any of the parties listed in the paragraph headed "D. Other Information—6. Qualification of Experts" below is interested in our promotion, or in any assets which have been, within the two years immediately preceding the issue of this prospectus, acquired or disposed of by or leased to us, or are proposed to be acquired or disposed of by or leased to us;

(b) save as disclosed in this prospectus or in connection with the Underwriting Agreements, none of our Directors, Supervisors or any of the parties listed in the paragraph headed "D. Other Information—6. Qualification of Experts" below is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group;

(c) none of the Directors or Supervisors has been paid in cash or shares or otherwise by any person during the Track Record Period as an inducement to join or upon joining our Company, or otherwise for services rendered by him in connection with the promotion or formation of our Company; and

(d) save in connection with the Underwriting Agreements, none of the parties listed in the paragraph headed "D. Other Information—6. Qualification of Experts" below: (i) is interested legally or beneficially in any of our H Shares or any shares in any of our subsidiaries; or (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

D. OTHER INFORMATION

1. Estate Duty

Our Directors have been advised that no material liability for estate duty is likely to be imposed on our Company.

2. Litigation

As of the Latest Practicable Date, we are not aware of any other litigation or arbitration proceedings of material importance pending or threatened against us or any of our Directors that could have a material adverse effect on our financial condition or results of operations.

3. Sole Sponsor

The Sole Sponsor has made an application on our behalf to the Listing Committee for the listing of, and permission to deal in, the H Shares to be issued as mentioned in this prospectus (including any H Shares which may be issued pursuant to the exercise of the Over-allotment Option). The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules. The fees payable to the Sole Sponsor in respect of its services as a sponsor for the Listing are approximately RMB5.3 million and are payable by us.

4. Preliminary Expenses

The preliminary expenses incurred by us in relation to our incorporation were RMB760,000 and were paid by us.

5. Promoter

Our promoters comprise ZGC Group, ZGC Finance, Chaoyang SCOMC, Wangjing Development, Beijing Originwater, and Nanshan Capital. Within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the Global Offering and the related transactions described in this prospectus.

6. Qualification of Experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

Guotai Junan Capital Limited	Licensed corporation under the SFO to conduct Type 6 (advising on corporate finance) of the regulated activities
King & Wood Mallesons	PRC Legal Advisors
KPMG	Certified Public Accountants
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Industry Consultant

7. Consents of Experts

Each of Guotai Junan Capital Limited, King & Wood Mallesons, KPMG, and Frost & Sullivan (Beijing) Inc., Shanghai Branch Co. has given and has not withdrawn its respective written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or opinion and/or the references to its name included in this prospectus in the form and context in which it is respectively included.

8. Binding Effect

This prospectus shall have the effect, if an application is made in pursuance of this prospectus, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance insofar as applicable.

9. Reserves available for distribution

As of June 30, 2019, we had retained profits of RMB233.1 million under IFRS as reserves available for distribution to our equity shareholder.

10. Restriction on Share Repurchase

For details of the restrictions on share repurchase by the Company, see "Appendix V—Summary of Articles of Association."

E. MISCELLANEOUS

(a) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:

(i) no share or loan capital of the Company or any of its subsidiaries has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash;

(ii) no share or loan capital of the Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(iii) no founders or management or deferred shares of the Company or any of its subsidiaries have been issued or agreed to be issued;

(iv) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of the Company or any of its subsidiaries; and

(v) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in the Company or any of its subsidiaries.

(b) Save as disclosed in this prospectus, our Group had not issued any debentures nor did it have any outstanding debentures nor any convertible debt securities.

(c) Our Directors confirm that:

(i) there has been no material adverse change in the financial or trading position or prospects of the Group since June 30, 2019 (being the date to which the latest audited consolidated financial statements of the Group were prepared);

(ii) there is no arrangement under which future dividends are waived or agreed to be waived; and

(iii) there has not been any interruption in the business of the Group which may have or has had a significant effect on the financial position of the Group in the 12 months preceding the date of this prospectus.

(d) All necessary arrangements have been made to enable our H Shares to be admitted into CCASS for clearing and settlement.

(e) No company within our Group is presently listed on any stock exchange or traded on any trading system.

(f) We currently do not intend to apply for the status of a sino-foreign investment joint stock limited company and do not expect to be subject to the PRC Sino-Foreign Joint Venture Law.

(g) The English and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

1. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were:

(a) a copy of each of the **WHITE**, **YELLOW** and **GREEN** Application Forms;

(b) a copy of each of the material contracts referred to in "Statutory and General Information—B. Further Information About Our Business—1. Summary of Material Contracts" in Appendix VI to this prospectus; and

(c) a copy of each of the written consents referred to in "Statutory and General Information—D. Other Information—7. Consents of Experts" in Appendix VI to this prospectus.

2. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Wilson Sonsini Goodrich & Rosati at Suite 1509, 15/F, Jardine House, 1 Connaught Place, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

(a) our Articles of Association;

(b) the Accountants' Report issued by KPMG, and the report on the unaudited pro forma financial information prepared by KPMG, the texts of which are set out in Appendix I and Appendix II of this prospectus, respectively;

(c) the audited consolidated financial statements of our Company for the three years ended December 31, 2018 and the six months ended June 30, 2019;

(d) the legal opinions issued by King & Wood Mallesons, our PRC legal advisors, in respect of our general matters and property interests;

(e) the material contracts referred to in "Statutory and General Information—B. Further Information About Our Business—1. Summary of Material Contracts" in Appendix VI to this prospectus;

(f) the written consents referred to in "Statutory and General Information—D. Other Information—7. Consents of Experts" in Appendix VI to this prospectus;

(g) the F&S Report;

(h) service contracts and letters of appointment entered into between the Company and each of the Directors and the Supervisors; and

(i) copies of the following PRC laws, together with unofficial English translations thereof:

  (i) the PRC Company Law;

  (ii) the PRC Securities Law;

  (iii) the Mandatory Provisions; and

  (iv) the Special Regulations.

中關村科技租賃股份有限公司
ZHONGGUANCUN SCIENCE-TECH LEASING CO., LTD.