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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)

ANNOUNCEMENT OF ANNUAL RESULTS
FOR THE YEAR ENDED DECEMBER 31, 2020

FINANCIAL HIGHLIGHTS

- For the year ended December 31, 2020, the revenue amounted to approximately RMB587.6 million, representing an increase of approximately 14.0% as compared with that of approximately RMB515.3 million for the year ended December 31, 2019.
- For the year ended December 31, 2020, the profit before taxation amounted to approximately RMB215.5 million, representing an increase of approximately 16.6% as compared with that of approximately RMB184.9 million for the year ended December 31, 2019.
- For the year ended December 31, 2020, the profit for the year amounted to approximately RMB161.5 million, representing an increase of approximately 16.8% as compared with that of approximately RMB138.3 million for the year ended December 31, 2019.
- As of December 31, 2020, the total assets amounted to approximately RMB8,165.1 million, representing an increase of approximately 16.8% as compared with that of approximately RMB6,989.0 million as of December 31, 2019.
- As of December 31, 2020, the total shareholders' equity amounted to approximately RMB1,915.8 million, representing an increase of approximately 37.6% as compared with that of approximately RMB1,392.3 million as of December 31, 2019.
- For the year ended December 31, 2020, the return on average equity was 9.8%.
- For the year ended December 31, 2020, the return on average assets was 2.1%.
- The Board recommends the payment of a final dividend of RMB0.0435 per share (tax inclusive) for the year ended December 31, 2020.

ANNUAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Zhongguancun Science-Tech Leasing Co., Ltd. (中關村科技租賃股份有限公司) (the “**Company**”) is pleased to announce that the audited consolidated annual results of the Company and its consolidated structured entities (together, the “**Group**” or “**We**”) for the year ended December 31, 2020 (the “**Reporting Period**”) with the comparative figures for the year ended December 31, 2019 are as follows:

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

For the year ended December 31, 2020

(Expressed in Renminbi (“**RMB**”))

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

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2020

(Expressed in RMB)

	<i>Note</i>	2020 RMB'000	2019 <i>RMB'000</i>
Profit for the year		161,466	138,256
Other comprehensive income for the year			
(after tax and reclassification adjustments)	<i>12</i>		
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)		<u>371</u>	<u>1,239</u>
Total comprehensive income for the year		<u>161,837</u>	<u>139,495</u>
Attributable to:			
Equity shareholders of the Company		<u>161,837</u>	<u>139,495</u>
Total comprehensive income for the year		<u>161,837</u>	<u>139,495</u>

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at December 31, 2020

(Expressed in RMB)

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

	<i>Note</i>	December 31, 2020 RMB'000	December 31, 2019 RMB'000
Non-current liabilities			
Borrowings	21	1,084,994	1,508,706
Trade and other liabilities	22	768,469	783,878
		<u>1,853,463</u>	<u>2,292,584</u>
NET ASSETS		<u>1,915,815</u>	<u>1,392,256</u>
CAPITAL AND RESERVES	23		
Share/paid-in capital		1,333,334	1,000,000
Reserves		582,481	392,256
Total equity attributable to equity shareholders of the Company		<u>1,915,815</u>	<u>1,392,256</u>
TOTAL EQUITY		<u>1,915,815</u>	<u>1,392,256</u>

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the year ended December 31, 2020

(Expressed in RMB)

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

For the year ended December 31, 2019
(Expressed in RMB)

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

CONSOLIDATED CASH FLOWS STATEMENTS

For the year ended December 31, 2020

(Expressed in RMB)

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

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

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

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

(b) Basis of preparation of the financial statements

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

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

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

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

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

(c) **Changes in accounting policies**

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

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

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

Amendments to IFRS 3, Definition of a Business

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(e) Associates

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

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

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

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

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

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

(f) Property and equipment

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

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

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

- | | | |
|---|--|--------------|
| – | The Group's leased assets are depreciated over the shorter of the unexpired term of lease and the leased assets' estimated useful lives. | |
| – | Electronic equipment | 3 years |
| – | Office equipment | 5 years |
| – | Others | 5 – 10 years |

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

(g) Intangible assets

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

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

	<i>Estimate useful lives</i>
Software	2 – 10 years

Both the period and method of amortization are reviewed annually.

(h) **Leases assets**

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

(i) ***As a lessee***

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

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

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

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

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

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

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

(ii) As a lessor

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

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

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

(i) Financial instruments

(i) Recognition and initial measurement

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

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

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

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

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

Basis of calculation of interest income

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

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

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.

(j) Fair value measurement

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

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

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

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

(k) Trade and other receivables

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

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

(l) Cash and cash equivalents

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

(m) Trade and other payables

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

(n) Interest-bearing borrowings

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

(o) Impairment of non-financial assets

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

- property and equipment, including right-of-use assets;
- intangible assets; and
- interest in associates.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– ***Calculation of recoverable amount***

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– ***Recognition of impairment losses***

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable), or value in use if determinable.

– ***Reversals of impairment losses***

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(p) Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(ii) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit or loss in the periods during which related services are rendered by employees.

(iii) Termination benefits

Termination benefits are recognised at the earlier of when the group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(iv) Share-based payment arrangements

The fair value of the amount payable to employees in respect of share appreciation rights ("SARs"), which are settled in cash, is recognised as an expense with a corresponding increase in liabilities, over the period during which the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date and at settlement date based on the fair value of the SARs. Any changes in the liability are recognised in profit or loss.

(q) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

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.

(r) Provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(s) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods, the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in paragraph 63 of IFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Interest income

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see Note 1(i)(v)).

(ii) Advisory fee income

Depending on the nature of advisory services and the contract terms, advisory fee income is recognised at a point in time when the advisory service is completed.

(iii) Government grants

Government grants are recognised in the consolidated statements of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the assets and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(t) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period.

(u) Borrowing costs

Borrowing costs are expensed in the period in which they are incurred.

(v) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or the Group's parent.

- (b) An entity is related to the Group if any of the following conditions applies:
- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
 - (ii) One entity is an associate of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
 - (iii) Both entities are joint ventures of the same third party;
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) The entity is controlled or jointly controlled by a person identified in (a);
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(w) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

The directors have determined that the Group has only one single business component/reportable segment as the Group is principally engaged in providing finance leasing service which is the basis to allocate resources and assess performance of the Group.

2 ACCOUNTING JUDGEMENT AND ESTIMATES

In the process of applying the Group's accounting policies, management has made the following accounting judgements:

- Note 1(i)(ii): classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are SPPI on the principal amount outstanding.
- Note 1(i)(v): establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining methodology for incorporating forward-looking information into measurement of ECL and selection and approval of models used to measure ECL.
- Deferred tax assets arising from deductible temporary differences are recognised to the extent that it is probable that future taxable income will be available against which deductible temporary differences and tax losses can be utilised. The outcome of their actual utilisation may be different.
- There are no quoted prices from an active market for FVOCI. The fair values for these financial instruments are established by using valuation techniques. These techniques include using recent arm's length market transactions by referring to the current fair value of similar instruments, discounted cash flow analysis. Valuation models established by the Group make maximum use of market input and rely as little as possible on the Group's specific data. The Group reviews the above estimations and assumptions periodically and makes adjustment if necessary.

3 REVENUE

The principal activities of the Group are providing finance lease services, and related advisory services to customers in the PRC. The Group has no lessee for the years ended December 31, 2020 and 2019, with whom transactions have exceeded 10% of the Group's aggregate revenues.

No segment information is presented as the Group is principally engaged in a single line of business. Revenue represents interest income and advisory fee net of value added taxes and other charges.

The amount of each significant category of revenue is as follows:

	<i>Note</i>	2020 RMB'000	2019 RMB'000
Interest income from finance leases		480,944	420,698
Advisory fee income	(i)		
– Management advisory fee income		30,529	23,885
– Policy advisory fee income		76,092	70,757
		587,565	515,340

Note:

- (i) Advisory fee income arises from contracts with customers within the scope of IFRS 15, and is recognised at a point in time.

4 OTHER NET INCOME

	<i>Note</i>	2020 RMB'000	2019 <i>RMB'000</i>
Government grants	(i)	13,194	14,620
Interest from deposits		5,297	3,671
Investment income		451	–
Others		137	468
		<u>19,079</u>	<u>18,759</u>

Note:

- (i) The government grants were mainly provided to reward enterprises who complete initial public offering in well-known overseas capital markets or support small and medium enterprises of leasing business. The grants were unconditional and were therefore recognised as income when received.

5 INTEREST EXPENSE

	2020 RMB'000	2019 <i>RMB'000</i>
Borrowings	140,646	113,703
Borrowings from related parties	45,299	68,131
Imputed interest expense on interest-free guaranteed deposits from lessees	46,120	38,104
Interest expense on lease liabilities	774	1,040
	<u>232,839</u>	<u>220,978</u>

6 OPERATING EXPENSE

Profit before taxation is arrived at after charging:

(a) Staff costs

	<i>Note</i>	2020 RMB'000	2019 <i>RMB'000</i>
Salaries, bonuses and allowances		55,402	50,656
Social insurance and other benefits		12,247	13,399
Cash-settled share-based payments	24(d)	39	–
Subtotal		<u>67,688</u>	<u>64,055</u>

(b) Other items

	<i>Note</i>	2020 RMB'000	2019 <i>RMB'000</i>
Depreciation charge			
– owned equipment		646	271
– right-of-use assets		11,296	9,900
Amortisation cost of			
– intangible assets		2,147	1,166
– others		75	41
Auditor's remuneration		2,453	1,792
Other rental expenses		2,289	1,065

7 IMPAIRMENT LOSSES CHARGED

	<i>Note</i>	2020 RMB'000	2019 <i>RMB'000</i>
Finance lease receivables	<i>15(b)</i>	44,724	28,780
Credit commitments	<i>22(a)</i>	(257)	(1,012)
		44,467	27,768

8 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

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

	<i>Note</i>	2020 RMB'000	2019 <i>RMB'000</i>
Current tax			
– PRC Enterprise Income Tax (“EIT”)			
Provision for the year		63,770	54,469
Deferred income tax			
– Origination of temporary differences	<i>19(b)</i>	(9,727)	(7,839)
		54,043	46,630

(b) **Reconciliation between tax expense and accounting profit at applicable tax rates:**

	<i>Note</i>	2020	2019
		<i>RMB'000</i>	<i>RMB'000</i>
Profit before taxation		215,509	184,886
Notional tax on profit before taxation, calculated at the rates applicable in the jurisdictions concerned		53,877	46,221
Tax effect of non-deductible expenses		228	437
Others		(62)	(28)
		<hr/>	<hr/>
Income tax expense for the year		<u>54,043</u>	<u>46,630</u>

Notes:

- (i) The Company is subject to PRC EIT at the statutory rate of 25%. The consolidated structured entities are not subject to PRC EIT.
- (ii) No provision for Hong Kong Profits Tax has been made for the Company and the consolidated structured entities as the Company and the consolidated structured entities have not derived any income subject to Hong Kong Profits Tax.

9 DIRECTORS' AND SUPERVISORS' REMUNERATION

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows

	2020					
	Fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Cash-settled share-based payment	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-executive directors						
Duan Hongwei (段宏偉)	-	-	-	-	2	2
Lou Yixiang (婁毅翔)	-	-	-	-	-	-
Zhang Shuqing (張書清)	-	-	-	-	-	-
Li Peng (李鵬)	-	-	-	-	-	-
Executive directors						
He Rongfeng (何融峰)	-	699	1,661	-	2	2,362
Huang Wen (黃聞)	-	510	469	-	2	981
Independent non-executive directors						
Cheng Dongyue (程東躍)	-	15	-	-	-	15
Wu Tak Lung (吳德龍)	-	15	-	-	-	15
Lin Zhen (林禎)	-	15	-	-	-	15
Supervisors						
Zhang Jian (張健)	-	-	-	-	-	-
Tian Anping (田安平)	-	-	-	-	-	-
Fang Fang (方放)	-	-	-	-	-	-
Long Limin (龍利民)	-	-	-	-	-	-
Tong Chao (佟超)	-	550	209	-	-	759
Zhou Di (周迪)	-	330	332	-	-	662
Han Nana (韓娜娜)	-	294	114	-	-	408
Total	-	2,428	2,785	-	6	5,219

	Fees <i>RMB'000</i>	Salaries, allowances and benefits in kind <i>RMB'000</i>	Discretionary bonuses <i>RMB'000</i>	Retirement scheme contributions <i>RMB'000</i>	Total <i>RMB'000</i>
Non-executive directors					
Duan Hongwei (段宏偉) (assigned on August 13, 2019)	—	—	—	—	—
Lou Yixiang (婁毅翔) (assigned on August 13, 2019)	—	—	—	—	—
Zhang Shuqing (張書清) (assigned on August 13, 2019)	—	—	—	—	—
Li Peng (李鵬)	—	—	—	—	—
Zhang Zhe (張哲) (resigned on August 13, 2019)	—	—	—	—	—
Yang Yanwen (楊彥文) (resigned on August 13, 2019)	—	—	—	—	—
Xu Junhua (許均華) (resigned on February 22, 2019)	—	—	—	—	—
Tian Anping (田安平) (resigned on August 13, 2019)	—	—	—	—	—
Chen Gang (陳剛) (resigned on August 13, 2019)	—	—	—	—	—
Dong Xiaoyu (董曉宇) (assigned on February 22, 2019 and resigned on August 13, 2019)	—	—	—	—	—
He Yuanping (何願平) (resigned on August 13, 2019)	—	—	—	—	—
Executive directors					
He Rongfeng (何融峰) (assigned on August 13, 2019)	—	290	—	—	290
Huang Wen (黃聞) (assigned on August 13, 2019)	—	212	—	—	212
Independent non-executive directors					
Cheng Dongyue (程東躍) (assigned on September 20, 2019)	—	—	—	—	—
Wu Tak Lung (吳德龍) (assigned on August 29, 2019)	—	—	—	—	—
Lin Zhen (林禎) (assigned on August 29, 2019)	—	—	—	—	—

	2019				
	Fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Supervisors					
Zhang Jian (張健)					
(assigned on August 13, 2019)	–	–	–	–	–
Tian Anping (田安平)					
(assigned on August 13, 2019)	–	–	–	–	–
Fang Fang (方放)					
(assigned on August 13, 2019)	–	–	–	–	–
Long Limin (龍利民)					
(assigned on August 13, 2019)	–	–	–	–	–
Tong Chao (佟超)					
(assigned on August 13, 2019)	–	234	–	–	234
Zhou Di (周迪)					
(assigned on August 13, 2019)	–	148	–	–	148
Han Nana (韓娜娜)					
(assigned on August 13, 2019)	–	132	–	–	132
Wei Tingquan (韋廷權)					
(resigned on August 13, 2019)	–	–	–	–	–
Chen Gang (陳剛)					
(resigned on August 13, 2019)	–	–	–	–	–
Liu Shouquan (劉守泉)					
(resigned on August 13, 2019)	–	606	300	–	906
Total	–	1,622	300	–	1,922

10 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, there were two directors (2019: two) and no supervisor (2019: one) of the Group for the year ended December 31, 2020, whose emoluments are disclosed in Note 9. The aggregate of the emoluments in respect of the other three (2019: two) individuals are as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Salaries, allowances and benefits in kind	1,724	1,344
Discretionary bonuses	2,303	600
Cash-settled share-based payment	6	–
Total	4,033	1,944

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

	2020 <i>Number of individuals</i>	2019 <i>Number of individuals</i>
Nil – HKD1,000,000	–	–
HKD1,000,001 – HKD1,500,000	1	2
HKD1,500,001 – HKD2,000,000	2	–

11 BASIC AND DILUTED EARNINGS PER SHARE

	2020	2019
Profit attributable to equity shareholders of the Company (<i>RMB'000</i>)	161,466	138,256
Weighted average number of ordinary shares (<i>in thousands</i>)	1,315,119	1,000,000
Basic and diluted earnings per share attributable to equity shareholders of the Company (<i>in RMB per share</i>)	<u>0.12</u>	<u>0.14</u>

There is no difference between basic and diluted earnings per share as there were no potentially dilutive shares outstanding for the years ended December 31, 2020 and 2019.

Weighted average number of ordinary shares (in thousands)

	2020	2019
Number of ordinary shares as at January 1	1,000,000	1,000,000
Increase in weighted average number of ordinary shares	<u>315,119</u>	<u>–</u>
Weighted average number of ordinary shares at December 31	<u>1,315,119</u>	<u>1,000,000</u>

12 OTHER COMPREHENSIVE INCOME

	2020			2019		
	Before-tax amount <i>RMB'000</i>	Tax expense <i>RMB'000</i>	Net-of-Tax amount <i>RMB'000</i>	Before-tax amount <i>RMB'000</i>	Tax expense <i>RMB'000</i>	Net-of-Tax amount <i>RMB'000</i>
Equity investments at FVOCI: net movement in fair value reserve (non-recycling)	<u>495</u>	<u>(124)</u>	<u>371</u>	<u>1,652</u>	<u>(413)</u>	<u>1,239</u>

13 PROPERTY AND EQUIPMENT

	Properties leased for own use carried at cost <i>RMB'000</i>	Electronic equipment <i>RMB'000</i>	Office equipment <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
Cost					
As at January 1, 2019	20,942	896	839	562	23,239
Additions	9,540	656	–	251	10,447
Disposals	–	(13)	(3)	(14)	(30)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
As at December 31, 2019/ January 1, 2020	30,482	1,539	836	799	33,656
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Additions	–	1,840	166	648	2,654
Disposals	–	(32)	–	–	(32)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
As at December 31, 2020	30,482	3,347	1,002	1,447	36,278
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Accumulated depreciation					
As at January 1, 2019	–	(703)	(428)	(34)	(1,165)
Charge for the year	(9,563)	(148)	(109)	(351)	(10,171)
Written back on disposals	–	12	2	14	28
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
As at December 31, 2019/ January 1, 2020	(9,563)	(839)	(535)	(371)	(11,308)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Charge for the year	(10,805)	(545)	(89)	(503)	(11,942)
Written back on disposals	–	9	–	–	9
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
As at December 31, 2020	(20,368)	(1,375)	(624)	(874)	(23,241)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net carrying amount					
As at December 31, 2020	<u>10,114</u>	<u>1,972</u>	<u>378</u>	<u>573</u>	<u>13,037</u>
As at December 31, 2019	<u>20,919</u>	<u>700</u>	<u>301</u>	<u>428</u>	<u>22,348</u>

(a) **Right-of-use assets**

The Group has obtained the right to use other properties as its office through tenancy agreements. During 2020 the Group received rent concessions in the form of a discount on fixed payments during the period of severe social distancing and travel restriction measures introduced to contain the spread of COVID-19. The amount of fixed lease payments for the year is summarised below:

	December 31, 2020			
	Fixed payments <i>RMB'000</i>	Variable payments <i>RMB'000</i>	COVID-19 rent concessions <i>RMB'000</i>	Total payments <i>RMB'000</i>
Rented office	<u>12,491</u>	<u>–</u>	<u>(364)</u>	<u>12,127</u>
	December 31, 2019			
	Fixed payments <i>RMB'000</i>	Variable payments <i>RMB'000</i>	COVID-19 rent concessions <i>RMB'000</i>	Total payments <i>RMB'000</i>
Rented office	<u>11,151</u>	<u>–</u>	<u>–</u>	<u>11,151</u>

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in Note 20(c) and Note 22(b), respectively.

As disclosed in Note 1(c), the Group has early adopted the Amendment to IFRS 16, Leases, *Covid-19-Related Rent Concessions*, and has applied the practical expedient introduced by the Amendment to all eligible rent concessions received by the Group during the year.

14 INTANGIBLE ASSETS

	December 31, 2020 <i>RMB'000</i>	December 31, 2019 <i>RMB'000</i>
Cost		
At the beginning of the year	8,348	4,238
Additions	6,058	4,110
	<hr/>	<hr/>
At the end of the year	14,406	8,348
	<hr style="border-top: 1px dashed;"/>	<hr style="border-top: 1px dashed;"/>
Accumulated amortisation		
At the beginning of the year	(1,954)	(788)
Charge for the year	(2,147)	(1,166)
	<hr/>	<hr/>
At the end of the year	(4,101)	(1,954)
	<hr style="border-top: 1px dashed;"/>	<hr style="border-top: 1px dashed;"/>
Carrying amount		
At the beginning of the year	6,394	3,450
	<hr style="border-top: 3px double;"/>	<hr style="border-top: 3px double;"/>
At the end of the year	10,305	6,394
	<hr style="border-top: 3px double;"/>	<hr style="border-top: 3px double;"/>

Intangible assets mainly represent software.

15 FINANCE LEASE RECEIVABLES

	December 31, 2020 RMB'000	December 31, 2019 RMB'000
Minimum finance lease receivables		
Within one year	4,518,655	3,918,424
More than one year and not more than five years	3,678,612	3,204,484
Gross amount of finance lease receivables	8,197,267	7,122,908
Less: Unearned finance income	(632,757)	(561,151)
Net amount of finance lease receivables	7,564,510	6,561,757
Less: Allowances for impairment losses	(182,354)	(137,630)
Carrying amount of finance lease receivables	7,382,156	6,424,127
Present value of minimum finance lease receivables		
Not more than one year	4,112,931	3,556,390
More than one year and not more than five years	3,451,579	3,005,367
Total	7,564,510	6,561,757

Analysis for reporting purpose as:

	December 31, 2020 RMB'000	December 31, 2019 RMB'000
Non-current assets	3,431,726	2,966,628
Current assets	3,950,430	3,457,499
Total	7,382,156	6,424,127

The finance lease receivables with net amount of approximately RMB2,038.1 million and RMB2,487.9 million were pledged as collaterals for the Group's loan borrowings as at December 31, 2020 and 2019, respectively (see Note 21(i)).

The finance lease receivables with net amount of approximately RMB998.3 million and RMB1,094.8 million were pledged as collaterals for the Group's asset-backed securities as at December 31, 2020 and 2019, respectively (see Note 21(ii)).

Finance lease receivables are mainly secured by leased assets, lessees' deposits and leased assets repurchase arrangement where applicable.

Lessees' deposits are calculated and collected based on a certain percentage of the entire value of the lease contract. The deposits are returned to the lessees in full by end of lease period according to the terms of the lease contracts. The balance of the customers' deposits can also be applied and used to settle any outstanding lease payments for the corresponding lease contracts. As at December 31, 2020, the lessees' deposits of RMB1,015.2 million were pledged for related finance lease receivables (December 31, 2019: RMB962.3 million), see Note 22.

(a) **Finance lease receivables and allowances for impairment losses:**

	December 31, 2020			Total
	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit-impaired	
Net amount of finance lease receivables	7,067,972	46,180	450,358	7,564,510
Less: Allowances for impairment losses	<u>(35,826)</u>	<u>(1,989)</u>	<u>(144,539)</u>	<u>(182,354)</u>
Carrying amount of finance lease receivables	<u><u>7,032,146</u></u>	<u><u>44,191</u></u>	<u><u>305,819</u></u>	<u><u>7,382,156</u></u>
	December 31, 2019			Total
	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit-impaired	
Net amount of finance lease receivables	6,074,976	74,616	412,165	6,561,757
Less: Allowances for impairment losses	<u>(25,391)</u>	<u>(2,422)</u>	<u>(109,817)</u>	<u>(137,630)</u>
Carrying amount of finance lease receivables	<u><u>6,049,585</u></u>	<u><u>72,194</u></u>	<u><u>302,348</u></u>	<u><u>6,424,127</u></u>

(b) **Changes in allowance for impairment losses of finance lease receivables are as follows:**

	December 31, 2020			Total
	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit-impaired	
Balance at January 1, 2020	25,391	2,422	109,817	137,630
Transfer:				
– to 12-month ECL	15	–	(15)	–
– to lifetime ECL not credit-impaired	(296)	296	–	–
– to lifetime ECL credit-impaired	(498)	(2,051)	2,549	–
Charge	11,214	1,322	32,188	44,724
Balance at December 31, 2020	<u>35,826</u>	<u>1,989</u>	<u>144,539</u>	<u>182,354</u>
	December 31, 2019			Total
	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit-impaired	
Balance at January 1, 2019	18,185	3,336	87,329	108,850
Transfer:				
– to 12-month ECL	36	–	(36)	–
– to lifetime ECL not credit-impaired	(359)	359	–	–
– to lifetime ECL credit-impaired	(757)	(3,211)	3,968	–
Charge	8,286	1,938	18,556	28,780
Balance at December 31, 2019	<u>25,391</u>	<u>2,422</u>	<u>109,817</u>	<u>137,630</u>

16 FINANCIAL ASSETS AT FVOCI

	Note	December 31, 2020 RMB'000	December 31, 2019 RMB'000
Equity securities designated at FVOCI (non-recycling)			
– Unlisted equity securities	(i)	<u>11,521</u>	<u>11,026</u>

Notes:

- (i) The unlisted equity securities are shares in Beijing Zhongguancun Synergetic Innovation Investment Fund Management Co., Ltd. (北京中關村協同創新投資基金管理有限公司), a company established in the PRC and engaged in investment management. The Group designated this investment at FVOCI (non-recycling), as the investment is held for strategic purposes. Dividends of RMB0.5 million were received on this investment in 2020.

17 INTEREST IN ASSOCIATES

The following list contains the particulars of associates, all of which are unlisted corporate entities or partnerships whose quoted market price is not available:

Name of associate	Form of business structure	Place of incorporation and business	Particulars of issued and paid up capital	Proportion of ownership interest		
				Group's effective interest	Held by the Company	Principal activity
Beijing Zhongnuo Tongchuang Investment Fund Management Co., Ltd. (北京中諾同創投資基金管理有限公司, "Beijing Zhongnuo")	Incorporated	PRC	RMB1.6 million	39%	39%	Investment management
Jiangsu Zhongguancun Zhongnuo Xietong Investment Fund (Limited Partnership) (江蘇中關村中諾協同投資基金合夥企業(有限合夥), "Jiangsu Zhongnuo")	Partnership	PRC	RMB150.0 million	49%	49%	Investment management

Beijing Zhongnuo was established in the PRC on April 23, 2019, of which the registered capital was RMB10.0 million. Jiangsu Zhongnuo was established in the PRC on November 11, 2019, of which the registered capital was RMB200.0 million. These investments enabled the Group to carry out investment management activities in the PRC.

All of the above associates are accounted for using the equity method in the consolidated financial statements.

Summarized financial information of the associates reconciled to the carrying amounts in the consolidated financial statements are disclosed below:

	Beijing Zhongnuo		Jiangsu Zhongnuo	
	2020	2019	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Gross amount of the associate				
Total assets	2,773	1,006	146,044	100,000
Total liabilities	(1,158)	(84)	(39)	–
Net assets	1,615	922	146,005	100,000
Revenue	3,611	–	–	–
Profit/(loss) for the year	693	(678)	(3,995)	–
Reconciled to the Group's interests in the associates				
Gross amounts of net assets of the associate	1,615	922	146,005	100,000
Group's effective interest	39%	39%	49%	49%
Group's share of net assets of the associate	785	515	71,543	49,000
Carrying amount in the consolidated financial statements	785	515	71,543	49,000

18 OTHER ASSETS

	<i>Note</i>	December 31, 2020	December 31, 2019
		RMB'000	RMB'000
Non-current assets			
Other assets		544	16
Current assets			
Deductible value-added tax (VAT)		56,361	107,614
Advance payments		7,695	4,079
Due from related parties	27(c)	2,675	2,955
Notes receivable		1,040	4,148
Prepaid listing expenses		–	17,835
Other receivables		3,065	1,637
		70,836	138,268
Total		71,380	138,284

19 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Income tax payable

	December 31, 2020 RMB'000	December 31, 2019 RMB'000
At the beginning of the year	14,494	12,397
Provision for income tax for the year	63,770	54,469
Income tax paid	<u>(51,945)</u>	<u>(52,372)</u>
At the end of the year	<u>26,319</u>	<u>14,494</u>

(b) The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements for the years ended December 31, 2020 and 2019 are as follows:

Deferred tax arising from:	Revaluation of FVOCI RMB'000	Revenue with EIT paid in prior years RMB'000	Allowance for impairment losses RMB'000	Accrued staff costs RMB'000	Total RMB'000
January 1, 2019	(1,593)	10,234	27,554	–	36,195
Charged to profit or loss	–	(4,081)	6,942	4,978	7,839
Charged to other comprehensive income	<u>(413)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(413)</u>
December 31, 2019/January 1, 2020	(2,006)	6,153	34,496	4,978	43,621
Charged to profit or loss	–	(3,085)	11,117	1,695	9,727
Charged to other comprehensive income	<u>(124)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(124)</u>
December 31, 2020	<u>(2,130)</u>	<u>3,068</u>	<u>45,613</u>	<u>6,673</u>	<u>53,224</u>

20 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	December 31, 2020 RMB'000	December 31, 2019 RMB'000
Cash on hand	7	5
Deposits with banks	<u>413,266</u>	<u>252,101</u>
Cash and cash equivalents	<u>413,273</u>	<u>252,106</u>

(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 <i>RMB'000</i>	Lease liabilities <i>RMB'000</i>	Interest payable <i>RMB'000</i>	Total <i>RMB'000</i>
As at 1 January 2019	3,319,747	21,371	25,982	3,367,100
Changes from financing cash flows:				
Capital element of lease rentals paid	–	(13,648)	–	(13,648)
Proceeds from borrowings	3,950,811	–	–	3,950,811
Repayment of borrowings	(3,111,229)	–	–	(3,111,229)
Interest element of lease rentals paid	–	(1,040)	–	(1,040)
Interest paid	–	–	(203,443)	(203,443)
Other borrowing costs paid	(8,573)	–	–	(8,573)
Other changes:				
Increase in lease liabilities from entering into new leases during the year	–	9,791	–	9,791
Interest expense	–	1,040	196,251	197,291
Other borrowing costs	8,573	–	–	8,573
Interest adjustment for asset-backed securities	(947)	–	–	(947)
As at 31 December 2019	<u>4,158,382</u>	<u>17,514</u>	<u>18,790</u>	<u>4,194,686</u>
	Borrowings <i>RMB'000</i>	Lease liabilities <i>RMB'000</i>	Interest payable <i>RMB'000</i>	Total <i>RMB'000</i>
As at 1 January 2020	4,158,382	17,514	18,790	4,194,686
Changes from financing cash flows:				
Capital element of lease rentals paid	–	(12,167)	–	(12,167)
Proceeds from borrowings	3,662,822	–	–	3,662,822
Repayment of borrowings	(3,668,714)	–	–	(3,668,714)
Interest element of lease rentals paid	–	(774)	–	(774)
Interest paid	–	–	(191,937)	(191,937)
Other borrowing costs paid	(10,864)	–	–	(10,864)
Other changes:				
Increase in lease liabilities from entering into new leases during the year	–	647	–	647
Interest expense	–	774	198,302	199,076
Other borrowing costs	10,864	–	–	10,864
Interest adjustment for asset-backed securities	556	–	–	556
As at 31 December 2020	<u>4,153,046</u>	<u>5,994</u>	<u>25,155</u>	<u>4,184,195</u>

(c) **Total cash outflow for leases**

Amounts included in the consolidated statements of cash flow for leases comprise the following:

	2020 RMB'000	2019 RMB'000
Within operating cash flows	1,086	1,065
Within financing cash flows	12,941	14,688
	<u>14,027</u>	<u>15,753</u>

21 BORROWINGS

	Note	December 31, 2020 RMB'000	December 31, 2019 RMB'000
Bank loans			
– pledged	(i)	1,394,087	1,272,332
– unsecured		940,915	611,800
Borrowings from related parties			
– pledged	(i)	800,000	1,200,000
Asset-backed securities	(ii)	1,018,044	1,074,250
		<u>4,153,046</u>	<u>4,158,382</u>

Analysis for reporting purpose as:

	December 31, 2020 RMB'000	December 31, 2019 RMB'000
Non-current liabilities	1,084,994	1,508,706
Current liabilities	3,068,052	2,649,676
	<u>4,153,046</u>	<u>4,158,382</u>

Notes:

- (i) As at December 31, 2020, loans amounting to RMB2,194.1 million were pledged by finance lease receivables (December 31, 2019: RMB2,472.3 million) (see Note 15).
- (ii) On September 9, 2020, the Company issued asset-backed securities with two tranches: senior tranche Class A1 with principal amount of RMB300.0 million, coupon rate of 4.10% and an expected maturity date on June 8, 2022; senior tranche Class A2 with principal amount of RMB126.0 million, coupon rate of 4.20% and an expected maturity date on March 8, 2023; senior tranche Class B with principal amount of RMB130.0 million, coupon rate of 4.10% and an expected maturity date on September 8, 2023; junior tranche with principal amount of RMB18.0 million and an expected maturity date on September 8, 2025. The Company holds all junior tranche asset-backed securities.

On August 6, 2019, the Company issued asset-backed securities with two tranches: senior tranche Class A with principal amount of RMB760.0 million, coupon rate of 5.35% and an expected maturity date on August 5, 2022; senior tranche Class B with principal amount of RMB210.0 million, coupon rate of 4.70% and an expected maturity date on August 5, 2022; junior tranche with principal amount of RMB30.0 million and an expected maturity date on August 5, 2024. The Company holds all junior tranche asset-backed securities.

On October 26, 2018, the Company issued asset-backed securities with two tranches: senior tranche Class A with principal amount of RMB489.0 million, coupon rate of 5.80% and an expected maturity date on January 21, 2020; senior tranche Class B with principal amount of RMB142.0 million, coupon rate of 6.70% and an expected maturity date on October 21, 2020; junior tranche with principal amount of RMB50.0 million and an expected maturity date on October 21, 2020. The Company holds senior tranche Class B asset-backed securities with amount of RMB42.0 million and all junior tranche asset-backed securities. On July 21, 2020, the Company has repaid the asset-backed securities with all remaining balance.

As at December 31, 2020, the borrowings were repayable as follows:

	2020 RMB'000	2019 RMB'000
Within one year	3,068,052	2,649,676
After 1 year but within 2 years	981,726	1,340,122
After 2 years but within 5 years	103,268	168,584
	<u>4,153,046</u>	<u>4,158,382</u>

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

	December 31, 2020	December 31, 2019
Range of interest rates:	3.85%–5.70%	4.15%–5.70%

22 TRADE AND OTHER LIABILITIES

	Note	December 31, 2020 RMB'000	December 31, 2019 RMB'000
Current liabilities			
Notes payable		738,322	93,760
Guaranteed deposits from lessees		370,252	315,782
VAT to be collected in the following period		75,608	92,325
Accounts payable		42,349	82,786
Accrued staff costs		31,261	21,820
Interest payable		25,155	18,790
Receipts in advance		7,583	1,653
Lease liabilities	22(b)	1,946	8,856
VAT payable and other tax payable		784	844
Other payables		8,145	3,359
		<u>1,301,405</u>	<u>639,975</u>
Non-current liabilities			
Guaranteed deposits from lessees		644,903	646,548
Deferred revenue		86,856	72,784
VAT to be collected in the following period		32,525	55,533
Lease liabilities	22(b)	4,048	8,658
Provision for credit commitments	22(a)	98	355
Accrued staff costs		39	–
		<u>768,469</u>	<u>783,878</u>
Total		<u>2,069,874</u>	<u>1,423,853</u>

(a) **Provision for credit commitments**

	2020			
	12-month ECL RMB'000	Lifetime ECL not credit- impaired RMB'000	Lifetime ECL credit-impaired RMB'000	Total RMB'000
Balance at January 1, 2020	355	–	–	355
Reversal	(257)	–	–	(257)
Balance at December 31, 2020	<u>98</u>	<u>–</u>	<u>–</u>	<u>98</u>
	2019			
	12-month ECL RMB'000	Lifetime ECL not credit- impaired RMB'000	Lifetime ECL credit-impaired RMB'000	Total RMB'000
Balance at January 1, 2019	1,367	–	–	1,367
Reversal	(1,012)	–	–	(1,012)
Balance at December 31, 2019	<u>355</u>	<u>–</u>	<u>–</u>	<u>355</u>

(b) **Lease liabilities**

The following table shows the remaining contractual maturities of the Group's lease liabilities at December 31, 2020 and at the date of transition to IFRS 16:

	December 31, 2020		December 31, 2019	
	Present value of the minimum lease payments RMB'000	Total minimum lease payments RMB'000	Present value of the minimum lease payments RMB'000	Total minimum lease payments RMB'000
Within 1 year	1,946	2,564	8,856	9,667
After 1 year but within 2 years	2,681	2,828	4,866	5,164
After 2 years but within 5 years	1,367	1,414	3,792	3,962
	<u>5,994</u>	<u>6,806</u>	<u>17,514</u>	<u>18,793</u>
Less: total future interest expenses		(812)		(1,279)
Present value of lease liabilities		<u>5,994</u>		<u>17,514</u>

23 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Share/paid-in capital RMB'000 23(b)	Capital reserve RMB'000 23(c)	Surplus reserve RMB'000 23(d)(i)	Fair value reserve RMB'000 23(d)(ii)	General reserve RMB'000 23(d)(iii)	Retained profits RMB'000	Total equity RMB'000
At January 1, 2019	1,000,000	–	45,396	4,780	43,707	193,871	1,287,754
Changes in equity for 2019							
Profit for the year	–	–	–	–	–	138,143	138,143
Other comprehensive income	–	–	–	1,239	–	–	1,239
Total comprehensive income	–	–	–	1,239	–	138,143	139,382
Appropriation to statutory reserve	–	–	13,814	–	–	(13,814)	–
Dividends approved in respect of the previous years	–	–	–	–	–	(35,000)	(35,000)
Conversion into joint stock company	–	252,761	(45,396)	(4,780)	(43,707)	(158,878)	–
At December 31, 2019/ January 1, 2020	1,000,000	252,761	13,814	1,239	–	124,322	1,392,136
Changes in equity for 2020							
Profit for the year	–	–	–	–	–	161,218	161,218
Other comprehensive income	–	–	–	371	–	–	371
Total comprehensive income	–	–	–	371	–	161,218	161,589
Appropriation to statutory reserve	–	–	16,122	–	–	(16,122)	–
Appropriation to general reserve	–	–	–	–	110,470	(110,470)	–
Dividends approved in respect of the previous years	–	–	–	–	–	(50,000)	(50,000)
Issue of H shares	333,334	78,388	–	–	–	–	411,722
At December 31, 2020	<u>1,333,334</u>	<u>331,149</u>	<u>29,936</u>	<u>1,610</u>	<u>110,470</u>	<u>(108,948)</u>	<u>1,915,447</u>

(b) Share/paid-in capital

The Company was established in Beijing, the PRC on November 27, 2012, with a registered capital of RMB500.0 million. All equity shareholders made the full capital contributions for which they subscribed in three instalments before May 1, 2013.

On June 9, 2017, the Company's equity shareholders convened the third extraordinary meeting for 2017 and decided on a capital increase of RMB500.0 million in proportion to the equity shareholders' initial paid-in capital contribution. The registered capital of the Company was therefore increased to RMB1.0 billion.

On August 16, 2019, the Company was converted into a joint stock company and was renamed to Zhongguancun Science-Tech Leasing Co., Ltd.

On January 21, 2020, the Company initial public offered 333,334,000 H Shares (nominal value RMB1.00 per H Share) on the Hong Kong Stock Exchange at a price of HK\$1.52 per H Share. Following the completion of the initial public offering, the Company's registered share capital includes 1,000,000,000 Domestic Shares and 333,334,000 H Shares.

(c) Capital reserve

On August 16, 2019, the Company was converted into a joint stock company and was renamed to Zhongguancun Science-Tech Leasing Co., Ltd. The audited net assets of the Company were RMB1,287.8 million as at December 31, 2018, of which RMB1,000.0 million was converted into 1,000.0 million shares of the joint stock company with a par value of RMB1.0 per share, RMB35.0 million was recorded as the retained profits of the Company which was used for the dividends distribution in respect of 2018, and RMB252.8 million was transferred to the capital reserve of the Company.

On January 21, 2020, the Company initial public offered 333,334,000 H Shares (nominal value RMB1.00 per H Share) on the Hong Kong Stock Exchange at a price of HK\$1.52 per H Share. The net proceeds after deducting the listing expenses were approximately RMB411.7 million, out of which RMB333.3 million and RMB78.4 million were recorded in share capital and capital reserve respectively.

(d) Reserves

(i) Surplus reserve

The Company is required to appropriate 10% of its net profit, as determined under the China Accounting Standards for Business Enterprises and other relevant regulations issued by the Ministry of Finance of the PRC ("MOF"), to the statutory surplus reserve until the balance reaches 50% of the registered capital.

Subject to the approval of equity shareholders of the Company, statutory surplus reserve may be used to net off against accumulated losses, if any, and may be converted into capital, provided that the balance of statutory surplus reserve after such capitalisation is not less than 25% of the registered capital before capitalisation.

After making the appropriation to the statutory surplus reserve, the Company may also appropriate its net profit to the discretionary surplus reserve upon approval by equity shareholders.

(ii) Fair value reserve (non-recycling)

The fair value reserve (non-recycling) comprises the cumulative net change in the fair value of equity investments designated at FVOCI under IFRS 9 that are held at the end of the reporting period (see Note 1 (i)).

(iii) General reserve

According to the resolution of the meeting of board of directors, the Company elected to appropriate 20% of its net profit, as determined under the China Accounting Standards for Business Enterprises and other relevant regulations issued by the MOF, to a general risk reserve starting in the year 2017 until the reserve accumulatively reaches an amount equal to 1.5% of the ending balance of the Company's leased assets.

On August 16, 2019, the Company was converted into a joint stock company and amended the Articles of Association. According to the amended Articles of Association, there is no requirement for the Company to appropriate its net profit to general reserve in future.

According to "Guidelines for the Supervision and Management of Beijing Financial Leasing Companies (Trial) (《北京市融資租賃公司監督管理指引(試行)》)" issued on April 16, 2020, the Company maintained a general reserve within equity, through the appropriation of profit, which should be no less than 1.5% of the year end balance of gross risk-bearing assets.

(e) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the year

According to the proposal of the meeting of board of directors dated March 19, 2021, the profit distributed in cash by the Company to its equity shareholders amounted to RMB58.0 million (2019: RMB50.0 million). The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

(ii) **Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year**

Final dividend in respect of the previous financial year, approved and paid during the 2020 was RMB50.0 million (2019: RMB35.0 million).

(f) **Capital management**

The Group's main objective of capital management is to ensure a stable capital ratio to support the Group's business development and maximise equity shareholders' value.

The Group assesses and manages its capital structure with the aim of striking a balance between achieving higher equity shareholders returns through debt financing and ensuring capital security through equity financing, and the Group adjusts the capital structure based on changes in external economic conditions.

24 SHARE-BASED PAYMENT ARRANGEMENTS

(a) **Description of share-based payment arrangements**

On 23 December 2020, the Group granted 12,670,000 SARs to employees that entitle them to a cash payment after certain non-market performance conditions are satisfied. The SARs expire at the end of a five-year period after grant date. The amount of the cash payment is determined based on the increase from the par value of H share to the share price of exercise date of the Company.

Details of the liabilities arising from the SARs, which are recorded in trade and other liabilities, are as follows:

	2020 RMB'000	2019 RMB'000
Total carrying amount of liabilities for SARs	39	–
Total intrinsic value of liabilities for vested benefits	–	–

(b) **Measurement of fair values**

The fair value of the SARs has been measured using the binomial model. Non-market performance conditions attached to the arrangements were not taken into account in measuring fair value.

The inputs used in the measurement of the fair values at measurement date of the SARs are as follows:

	2020	2019
Fair value at measurement date (<i>in RMB</i>)	0.29	–
Share price (<i>in HKD</i>)	1.1	–
Exercise price (<i>in RMB</i>)	1	–
Expected volatility	35.73%	–
Expected life (<i>year</i>)	5.0	–
Expected dividends	0%	–
Risk-free interest rate	0.48%	–

Expected volatility has been based on the historical volatility (calculated based on the weighted average remaining life of the SARs) and adjusted for any expected changes to future volatility based on publicly available information.

(c) **Reconciliation of outstanding SARs**

The number and exercise price of SARs are as follows:

	Number of SARs	Exercise price
Outstanding at January 1, 2020	—	—
Granted during the year	12,670,000	RMB1
Outstanding at December 31, 2020	12,670,000	RMB1
Exercisable at December 31, 2020	—	—

The SARs outstanding at December 31, 2020 had an exercise price of RMB1 and a remaining contractual life of 5.0 years.

(d) **Expense recognised in profit or loss**

For details of the related staff costs, see Note 6(a).

25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, market and liquidity risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practice used by the Group to manage these risks are described below.

(a) **Credit risk**

Credit risk is the risk that the Group will suffer losses due to a lessee's failure to fulfil contractual obligations. Credit risk is the most significant risk faced by the Group in the course of its operating activities. The credit risk exposure is managed based on the principle of prudence. The Group's credit risk is primarily attributable to its finance leasing business.

The Group's exposure to credit risk arising from cash and cash equivalents, pledged and restricted deposits, and notes receivable is limited because the counterparties are banks and financial institutions, of which the Group considers to have low credit risk. The Group does not provide any guarantees which would expose the Group to credit risk.

The Group's maximum exposure to credit risk before collateral held and other credit enhancement is as follows:

	December 31, 2020 RMB'000	December 31, 2019 RMB'000
Cash and cash equivalents	413,273	252,106
Pledged and restricted deposits	137,830	41,564
Finance lease receivables	7,564,510	6,561,757
Financial assets at FVOCI	11,521	11,026
Notes and other receivables	6,780	8,740
Total	8,133,914	6,875,193

The maximum exposure to credit risk in respect of those off-balance sheet items as at the end of the reporting period is disclosed in Note 25(a).

(i) Finance Lease receivables credit risk management

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. As at December 31, 2020, 2.03% of the total net amounts of finance lease receivables was due from the Group's largest customer (December 31, 2019: 1.98%), and 7.38% of the total net amounts of finance lease receivables was due from the Group's five largest customers (December 31, 2019: 7.32%).

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates.

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.

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:

	December 31, 2020		December 31, 2019	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
ECO-solutions	2,754,961	34%	2,176,650	31%
Life sciences & healthcare	1,606,226	20%	1,436,356	20%
Intelligent manufacturing	1,404,890	17%	1,453,923	20%
Internet-based products & services	1,241,914	15%	795,211	11%
Big data	996,613	12%	1,041,445	15%
Others	192,663	2%	219,323	3%
Total	<u>8,197,267</u>	<u>100%</u>	<u>7,122,908</u>	<u>100%</u>

An analysis of gross amount of finance lease receivables by area is set out below:

	December 31, 2020		December 31, 2019	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
North China	3,876,258	47%	3,785,324	53%
East China	1,772,308	22%	1,190,218	17%
Central China	902,541	11%	840,651	12%
South China	554,754	7%	517,622	7%
Northwest	568,027	7%	397,751	6%
Southwest	263,920	3%	214,432	3%
Northeast	259,459	3%	176,910	2%
Total	<u>8,197,267</u>	<u>100%</u>	<u>7,122,908</u>	<u>100%</u>

The overall ECL rate for finance lease receivables are summarized as follows:

	December 31, 2020			Total
	Stage 1	Stage 2	Stage 3	
Finance lease receivables	0.51%	4.31%	32.09%	2.41%
	December 31, 2019			Total
	Stage 1	Stage 2	Stage 3	
Finance lease receivables	0.42%	3.25%	26.64%	2.10%

An analysis of finance lease receivables by credit quality is set out below:

	December 31, 2020 RMB'000	December 31, 2019 <i>RMB'000</i>
12-month ECL balance	7,067,972	6,074,976
Lifetime ECL not credit-impaired balance		
– Not overdue	140	10,725
– Less than 1 month (inclusive)	24,268	22,967
– 1 to 3 months (inclusive)	21,772	40,924
Lifetime ECL credit-impaired	450,358	412,165
Net amount of finance lease receivables	7,564,510	6,561,757
Less: Allowances for impairment losses	(182,354)	(137,630)
Total	7,382,156	6,424,127

(b) Market risk

Market risk arises when the adverse changes in market prices (interest rates, exchange rates, as well as equity prices and other prices) lead to losses from the Group's business. The Group's market risk mainly arises from currency risk and interest rate risk.

(i) Currency risk

As the Group's principal activities are carried out in the PRC, the Group's transactions are mainly denominated in RMB, which is not freely convertible into foreign currencies. All foreign exchange transactions involving RMB must take place through the People's Bank of China or other institutions authorised to buy and sell foreign exchange. The exchange rates adopted for the foreign exchange transactions are the rates of exchange quoted by the People's Bank of China that are determined largely by supply and demand.

The directors consider the Group's exposure to foreign currency risk is not significant for 2020 as the Group does not hold any foreign currency balance at the end of the reporting period.

(ii) Interest rate risk

The risk of changes in the cash flow of financial instruments caused by the Group's interest rate changes is mainly related to financial lease. The Group's interest rate risk arises from the mismatch between the maturity date of interest-generating assets and interest-bearing liabilities and the contract repricing date. Interest margin of the Group may increase due to the change of market interest rate, Interest margin of the Group may even decrease or even loss due to their unpredictability.

The Group adopts the following measures to manage its interest rate risk:

- Optimises the time difference between the maturity dates of interest-generating assets and interest-bearing liabilities and the contract repricing date; and
- Managing the difference between the pricing of interest-generating assets and interest-bearing liabilities and the benchmark interest rate of the People's Bank of China.

The sensitivity of the Group to the interest rate risk of financial instruments is based on the assumption that the reasonable changes in the interest rate risk borne by the financial instruments at the balance sheet date during the following year shall remain constant throughout the year. The following shows the impact of the structure of financial assets and financial liabilities at the balance sheet date on the Group's after-tax profits and owners' equity, with a general increase or decrease of 100 basis points in interest rates, and all other variables held constant:

The following table illustrates the potential impact of a parallel upward or downward shift of 100 basis points in all financial instruments' yield rate on the Group's retained profits, based on the Group's positions of interest-generating assets and interest-bearing liabilities at the end of at December 31, 2020.

	2020 RMB'000	2019 RMB'000
Retained profits		
+ 100 basis points	8,426	6,099
– 100 basis points	(8,426)	(6,099)

(c) **Liquidity risk**

Management regularly monitors the Group's liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and long term. The following tables show the remaining contractual maturities at the end of each reporting period of the Group's financial assets and financial liabilities, which are based on contractual undiscounted cash flows and the earliest date the Group can be required to pay:

	Indefinite/ overdue/ on demand RMB'000	Within 1 month RMB'000	1 to 3 months RMB'000	3 months to 1 year RMB'000	1 to 5 years RMB'000	Total RMB'000
December 31, 2020						
Cash and cash equivalent	413,273	–	–	–	–	413,273
Pledged and restricted deposits	–	–	–	137,830	–	137,830
Finance lease receivables	384,683	297,113	832,185	3,004,674	3,678,612	8,197,267
Financial assets at FVOCI	11,521	–	–	–	–	11,521
Others assets – notes and other receivables	1,628	200	–	840	4,112	6,780
Total financial assets	811,105	297,313	832,185	3,143,344	3,682,724	8,766,671
Borrowings	–	70,453	506,995	2,490,604	1,086,790	4,154,842
Trade and other liabilities	8,736	132,636	272,601	867,031	769,752	2,050,756
Lease liabilities	–	35	408	2,121	4,242	6,806
Total financial liabilities	8,736	203,124	780,004	3,359,756	1,860,784	6,212,404
Net exposure	802,369	94,189	52,181	(216,412)	1,821,940	2,554,267

	Indefinite/ overdue/ on demand <i>RMB'000</i>	Within 1 month <i>RMB'000</i>	1 to 3 months <i>RMB'000</i>	3 months to 1 year <i>RMB'000</i>	1 to 5 years <i>RMB'000</i>	Total <i>RMB'000</i>
December 31, 2019						
Cash and cash equivalent	252,106	—	—	—	—	252,106
Pledged and restricted deposits	—	—	—	41,564	—	41,564
Finance lease receivables	352,286	256,904	710,502	2,598,732	3,204,484	7,122,908
Financial assets at FVOCI	11,026	—	—	—	—	11,026
Others assets – notes and other receivables	<u>1,853</u>	<u>1,321</u>	<u>2,540</u>	<u>45</u>	<u>2,981</u>	<u>8,740</u>
Total financial assets	<u>617,271</u>	<u>258,225</u>	<u>713,042</u>	<u>2,640,341</u>	<u>3,207,465</u>	<u>7,436,344</u>
Borrowings	—	183,405	471,320	2,156,184	1,569,945	4,380,854
Trade and other liabilities	83,039	2,200	41,560	373,615	714,607	1,215,021
Lease liabilities	<u>—</u>	<u>25</u>	<u>50</u>	<u>9,592</u>	<u>9,126</u>	<u>18,793</u>
Total financial liabilities	<u>83,039</u>	<u>185,630</u>	<u>512,930</u>	<u>2,539,391</u>	<u>2,293,678</u>	<u>5,614,668</u>
Net exposure	<u>534,232</u>	<u>72,595</u>	<u>200,112</u>	<u>100,950</u>	<u>913,787</u>	<u>1,821,676</u>

(d) Fair values

Fair value estimates are generally subjective in nature, and are made as of a specific point in time based on the characteristics of the financial instruments and relevant market information. The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

	December 31, 2020			
	Level 1	Level 2	Level 3	Total
Financial assets at FVOCI	<u>–</u>	<u>–</u>	<u>11,521</u>	<u>11,521</u>
December 31, 2019				
	Level 1	Level 2	Level 3	Total
Financial assets at FVOCI	<u>–</u>	<u>–</u>	<u>11,026</u>	<u>11,026</u>

For the years ended December 31, 2020 and 2019, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Information about Level 3 fair value measurements

The following table presents the related valuation techniques and inputs of the major financial instruments in Level 3.

Financial assets/ liabilities	Fair value hierarchy	Valuation Technique(s) and Key inputs	Significant Unobservable Input(s)	Relationship of unobservable input(s) to fair value
Unlisted equity securities	Level 3	Market comparable companies	Discount for lack of marketability	The higher the discount, the lower the fair value

The fair value of unlisted equity instruments is determined using the price/earning ratios of comparable listed companies adjusted for lack of marketability discount. The fair value measurement is negatively correlated to the discount for lack of market ability.

The movements during the year in the balance of these Level 3 fair value measurements are as follows:

	2020 RMB'000	2019 RMB'000
Unlisted equity securities:		
At the beginning of the year	11,026	9,374
Net unrealised gains or losses recognised in other comprehensive income during the year	<u>495</u>	<u>1,652</u>
At the end of the year	<u>11,521</u>	<u>11,026</u>

26 COMMITMENTS AND CONTINGENT LIABILITIES

(a) Credit commitments

The Group's non-cancellable credit commitments are primarily finance leases that have been contracted, but not provided for. As at December 31, 2020, the Group's non-cancellable lease commitments amounted to RMB38.1 million (December 31, 2019: RMB60.8 million).

(b) Capital commitments

As at December 31, 2020, the unpaid capital investment against Beijing Zhongnuo Tongchuang Investment Fund Management Co., Ltd. (北京中諾同創投資基金管理有限公司) and Jiangsu Zhongguancun Zhongnuo Xietong Investment Fund (Limited Partnership) (江蘇中關村中諾協同投資基金合夥企業(有限合夥)) was RMB3.1 million and RMB24.5 million (December 31, 2019: RMB3.1 million and RMB49.0 million), respectively.

27 MATERIAL RELATED PARTY TRANSACTIONS

(a) Name and relationship with related parties

Name of the entities	Relationship
Zhongguancun Development Group Co., Ltd. * (中關村發展集團股份有限公司)	Controlling shareholder
Beijing Zhongguancun Frontier Technology Industry Development Co., Ltd. * (北京中關村前沿技術產業發展有限公司)	A company controlled by the same ultimate controlling party
Beijing Zhongguancun Life Science Park Biomedical Technology Incubation Co., Ltd. * (北京中關村生命科學園生物醫藥科技孵化有限公司)	A company controlled by the same ultimate controlling party
Beijing Pioneer Precision Medical and Health Industry Investment Co., Ltd. * (北京領創精準醫療健康產業投資有限公司)	A company significantly impacted by the controlling shareholder
Beijing Zhongnuo Tongchuang Investment Fund Management Co., Ltd. * (北京中諾同創投資基金管理有限公司)	An associate of the Company

* The English translation of the names of these entities is for reference only. The official names of the entities are in Chinese.

(b) **Transaction amounts with related parties:**

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
<i>Trade related</i>		
Interest income from leases to a related party	409	636
Advisory fee income from a related party	–	906
Repayment of finance lease receivable from a related party	4,384	4,703
<i>Non-trade related</i>		
Borrowing related		
Repayment of borrowings from a related party	700,000	718,000
Borrowings from a related party	300,000	600,000
Interest expenses arising from borrowings from related parties	45,299	68,131
Lending related		
Lending to a related party	–	317,742
Repayment from a related party	280	317,696
Interest income from a related party	–	105
Guarantee related		
Payment of guarantee fee to a related party	920	1,458
Increase of guarantees from a related party	105,146	246,322
Others		
Payment for the lease of house rental, property management and parking fee to a related party	12,483	14,635
Repayment other receivables from related parties	–	277
Payment of other receivables of related parties	1,163	1,299
Payment of other payables of a related party	–	18

(c) **The balances of transactions with related parties:**

	<i>Note</i>	December 31, 2020 <i>RMB'000</i>	December 31, 2019 <i>RMB'000</i>
Trade related			
Finance lease receivable from a related party		4,410	8,364
Security deposits payable to a related party		1,585	1,585
Non-trade related			
Borrowing related			
Borrowings payable to a related party	(i)	800,000	1,200,000
Interest payable to a related party	(ii)	12,396	14,984
Lending related			
Due from a related party		–	280
Lease prepayment to a related party	(iii)	3,123	3,123
Guarantee related			
Balance of guarantees received from a related party		351,468	246,322
Others			
Deposits for rental	(iv)	2,674	2,674
Other receivables from a related party		1	1
Payable to a related party		–	–

Notes:

- (i) As at December 31, 2020, these represent short-term borrowings of RMB300.0 million and long-term borrowings of RMB500.0 million from Zhongguancun Development Group Co., Ltd. These borrowings will be due on May 26, 2021 and no later than August 6, 2022, respectively.
- (ii) As at December 31, 2020, this represents interest payable to Zhongguancun Development Group Co., Ltd., which will be due within one year.
- (iii) As at December 31, 2020, this represents lease prepayment to Zhongguancun Development Group Co., Ltd., which will be due within one year.
- (iv) As at December 31, 2020, this represents deposits for rental to Zhongguancun Development Group Co., Ltd., which will be due within three years.

(d) **Transactions with key management personnel**

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Key management personnel remuneration	9,318	7,140

	December 31, 2020 RMB'000	December 31, 2019 RMB'000
Non-current assets		
Property and equipment	13,037	22,348
Intangible assets	10,305	6,394
Finance lease receivables	3,431,726	2,966,628
Financial assets at fair value through other comprehensive income	11,521	11,026
Interest in associates	72,328	49,515
Other assets	544	16
Deferred tax assets	53,224	43,621
	<u>3,592,685</u>	<u>3,099,548</u>
Current assets		
Finance lease receivables	3,950,430	3,457,499
Other assets	70,836	138,840
Pledged and restricted deposits	137,462	40,872
Cash and cash equivalents	413,273	252,106
	<u>4,572,001</u>	<u>3,889,317</u>
Current liabilities		
Borrowings	3,068,052	2,649,676
Income tax payable	26,319	14,494
Trade and other liabilities	1,301,405	639,975
	<u>4,395,776</u>	<u>3,304,145</u>
Net current assets	<u>176,225</u>	<u>585,172</u>
Total assets less current liabilities	3,768,910	3,684,720
Non-current liabilities		
Borrowings	1,084,994	1,508,706
Trade and other liabilities	768,469	783,878
	<u>1,853,463</u>	<u>2,292,584</u>
NET ASSETS	1,915,447	1,392,136
CAPITAL AND RESERVES		
Paid-in capital	1,333,334	1,000,000
Reserves	582,113	392,136
TOTAL EQUITY	1,915,447	1,392,136

29 CONSOLIDATED STRUCTURED ENTITIES

In the course of its ordinary activities, the Group enters into asset securitisation transactions and transfers the finance receivables to special purpose entities, which are structured entities created to provide opportunities for investors to invest in the finance lease receivables. Where a structured entity conducts activities according to contractual arrangements, the voting rights in it are not one of the main factors to consider in assessing whether the Group controls the structured entity. The Group obtains control over a structured entity when it involves itself in the entity's operations and is exposed to variable returns from such involvement, and when it has the ability to affect those returns through its power over the structured entity. In this case, the Group includes the structured entities in its consolidation scope.

As at December 31, 2020, the number of consolidated structured entities of the Group was two (December 31, 2019: two). As at December 31, 2020, the total assets of the consolidated structured entities amounted to RMB1,067.8 million (December 31, 2019: RMB1,198.6 million).

30 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

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

31 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At December 31, 2020, the directors consider the immediate parent and ultimate controlling party of the Group to be Zhongguancun Development Group Co., Ltd. (中關村發展集團股份有限公司).

32 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED DECEMBER 31, 2020

Up to the date of issue of these financial statements, the IASB has issued a number of amendments and a new standard, IFRS 17, Insurance Contracts, which are not yet effective for the year ended December 31, 2020 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IFRS 3, <i>Reference to the Conceptual Framework</i>	January 1, 2022
Amendments to IAS 16, <i>Property, Plant and Equipment: Proceeds before Intended Use</i>	January 1, 2022
Amendments to IAS 37, <i>Onerous Contracts – Cost of Fulfilling a Contract</i>	January 1, 2022
Annual Improvements to IFRSs 2018-2020 Cycle	January 1, 2022

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

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

Notes:

- (1) Calculated by dividing profit for the year by the average balance of total equity at the beginning and the end of the year.
- (2) Calculated by dividing profit for the year by the average balance of total assets at the beginning and the end of the year.
- (3) Calculated by dividing net interest income for the year by the average balance of interest-earning assets.
- (4) Calculated as the difference between interest income yield and interest expense cost.
- (5) Calculated by dividing profit for the year by the total revenue for the year.

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

Notes:

- (1) Calculated based on contractual undiscounted cash flows.
- (2) Calculated by dividing total liabilities by total assets.
- (3) Calculated by dividing risk assets by total equity. Risk assets are the total assets net of cash and cash equivalents and pledged and restricted deposits.
- (4) Calculated by dividing current assets by current liabilities as of the end of the year.
- (5) Represent the percentage of NPAs in the total interest-earning assets before deducting allowances for impairment losses.
- (6) Calculated by dividing allowances for impairment losses of interest-earning assets by the balance of non-performing interest-earning assets.

1. BUSINESS REVIEW

1.1 *Economic Situation*

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

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

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

1.2 *The Impact of the COVID-19 Pandemic*

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

Affected by the epidemic, the growth rate of the Group's annual revenue and annual profit decreased by 14.8 percentage points and increased by 0.6 percentage points from the growth rate in 2019, respectively. The Group has gradually eliminated the impact of the COVID-19 on the Group's finances and operations.

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

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

1.3 Company's Response

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

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

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

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

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

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

2. ANALYSIS OF PROFIT OR LOSS

2.1 Overview

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

2.2 Revenue

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

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

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

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

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

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

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

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

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

2.2.1 Interest Income

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

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

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

Notes:

- (1) Calculated by dividing the sum of finance lease receivables before allowances for impairment losses at the beginning of the year and at the end of the year by two.
- (2) Calculated by dividing interest income by average balance of interest-earning assets.

Analysis by Average Balance of Interest-earning Assets

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

Analysis by Comprehensive Yield

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

2.2.2 Advisory Fee Income

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

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

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

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

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

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

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

2.3 Interest Expense

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

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

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

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

Note:

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

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

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

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

Notes:

- (1) Not including imputed interest expense on interest-free guaranteed deposits from lessees and interest expense on lease liabilities.
- (2) Calculated based on the average of monthly balance of borrowings.
- (3) Calculated by dividing interest expenses for the year by the monthly average balance of borrowings.

2.4 Net Interest Spread and Net Interest Margin

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

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

Notes:

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

The net interest spread of the Group in 2020 increased by 0.2 percentage point to 2.4%. The increase in net interest spread was mainly due to the decrease in the rate of return on interest expense being greater than that of interest income. For details of the change on the interest expense cost, please refer to the discussion and analysis in paragraphs headed "2.3 Interest Expense" of this section. While the average balance of interest-earning assets of the Group increased by 17.3% from the previous year, the average balance of interest-bearing liabilities of the Group increased by 11.3% from the previous year, which was the primary reason that drove the growth rate of interest income higher than that of interest expenses, and that the net interest income was growing rapidly compared with that of the previous year. Based on the above reasons, in 2020, the net interest margin of the Group was 3.6%, representing an increase of 0.2 percentage point from 3.4% in the previous year.

2.5 Other Net Income

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

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

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

2.6 Operating Expense

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

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

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

2.7 Impairment Losses Charged

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

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

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

Note:

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

2.8 Income Tax Expense

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

2.9 Profit for the Year

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

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

2.10 Basic Earnings per Share

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

3. ANALYSIS OF FINANCIAL POSITION

3.1 Assets (Overview)

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

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

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

3.2 Finance Lease Receivables

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

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

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

3.2.1 Industry Profile of Finance Lease Receivables

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

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

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

3.2.2 Finance Lease Receivables by Geographical Region

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

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

3.2.3 Maturity Profile of Finance Lease Receivables

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

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

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

3.2.4 Asset Quality of Finance Lease Receivables

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

Classification of Finance Lease Receivables

1. Normal. The lessee is able to perform and has been performing its obligations under the lease agreement, and we have no reason to doubt our ability to recover the full amount of the lease receivable. Lease payments related to finance lease receivables under this classification have always been on time or overdue for not more than 30 days.
2. Special mention. The lessee is able to perform and has been performing its obligations under the lease agreement. However, unfavorable factors may have a negative impact on our ability to recover all lease payments. Relevant factors involve changes in the macro environment, industrial policies, industrial environment, management capabilities of the lessee, credit status, the value of leased assets and lessees' willingness to pay.
3. Sub-standard. The lessee has demonstrated great difficulties in making full lease payments with its own operating income, and certain losses may still incur even if taking into account the guarantee or the quality of leased assets.
4. Doubtful. The lessee has demonstrated significant difficulties in making full lease payments, and significant losses on leased assets are very likely to incur even if taking into account the guarantee or the quality of leased assets.
5. Loss. After exhausting all necessary measures and legal remedies, we still cannot recover most of the lease receivable and interest income.

Leased Asset Management Measures

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

Continuously Innovating Financial Products and Services Methods

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

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

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

Optimizing Asset Disposal Resources and Accelerating the Clearance of Risk Assets

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

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

	As of december 31, 2020		As of december 31, 2019		Changes
	<i>RMB'000</i>	<i>% of total</i>	<i>RMB'000</i>	<i>% of total</i>	
Normal	7,020,279	92.8%	6,074,976	92.6%	15.6%
Special Mention	432,506	5.7%	399,661	6.1%	8.2%
Sub-standard	52,209	0.7%	32,394	0.5%	61.2%
Doubtful	59,516	0.8%	54,726	0.8%	8.8%
Loss					
Net Amount of Finance Lease Receivables	7,571,510	100.0%	6,561,757	100.0%	15.4%
Non-performing Assets	111,725		87,120		
Non-performing Assets Ratio	1.5%		1.3%		

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

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

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

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

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

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

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

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

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

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

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

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

3.2.5 Impairment and Allowances for Finance Lease Receivables

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

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

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

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

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

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

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

3.3 Others

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

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

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

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

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

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

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

3.4 Liabilities (Overview)

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

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

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

3.5 Borrowings

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

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

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

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

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

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

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

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

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

Note:

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

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

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

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

3.6 Trade and Other Liabilities

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

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

3.7 Capital and Reserves

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

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

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

4. CAPITAL EXPENDITURES

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

5. RISK MANAGEMENT

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

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

5.1 Credit Risks

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

Strict Industry Customer Access

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

Comprehensive Due Diligence System

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

Scientific Credit Evaluation System

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

Prudent Project Approval Decision

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

Complete Post-Lease Management System

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

5.2 Interest Rate Risk

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

- Optimizing the time difference between the maturity dates of interest-earning assets and interest-bearing liabilities and the contract repricing date; and
- Managing the difference between the pricing of interest-earning assets and interest-bearing liabilities and the benchmark interest rate of the People's Bank of China.

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

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

5.3 Liquidity Risk

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

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

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

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

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

5.4 Foreign Currency Risk

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

6. PLEDGE OF GROUP ASSETS

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

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

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

7. MATERIAL INVESTMENTS, ACQUISITIONS AND DISPOSALS

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

Save as disclosed in this announcement, there were no significant investments, material acquisitions or disposals of subsidiaries, associated companies and joint ventures by the Group during the year ended December 31, 2020.

8. HUMAN RESOURCES

8.1 Staff and Remuneration

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

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

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

8.2 Incentive Schemes

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

8.3 Employee Benefits

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

8.4 Employee Training

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

9. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

9.1 Contingent Liabilities

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

9.2 Capital Commitments and Credit Commitments

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

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

Notes:

- (1) The Group's non-cancellable credit commitments are primarily finance leases that have been contracted, but not yet commenced.
- (2) As of December 31, 2020, the unpaid capital commitment to Beijing Zhongnuo and Jiangsu Zhongnuo was RMB3.1 million and RMB24.5 million, respectively.

10. USE OF NET PROCEEDS FROM THE GLOBAL OFFERING

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

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

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

- Approximately 70% of the net proceeds, or RMB284.0 million, will be used to expand our business operations;
- Approximately 10% of the net proceeds, or RMB40.6 million, will be used to improve our information systems;
- Approximately 10% of the net proceeds, or RMB40.6 million, will be used to recruit more talented specialized personnel with valuable experience, knowledge and skillsets; and
- Approximately 10% of the net proceeds, or RMB40.6 million, will be used to replenish our working capital.

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

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

11. BUSINESS OUTLOOK

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

OTHER INFORMATION

1 CORPORATE GOVERNANCE PRACTICES

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

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

2 DIRECTORS’ AND SUPERVISORS’ SECURITIES TRANSACTIONS

The Company has formulated the Code of Dealing in Securities of the Company by the Directors, Supervisors, Senior Management and Personnel with Inside Information (《董事、監事、高級管理人員及其他內幕消息知情人員證券交易管理制度》) as the code of conduct of the securities transactions carried out by our Directors, Supervisors, senior management and personnel with inside information. The terms of which are not less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 to the Listing Rules.

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

3 ANNUAL GENERAL MEETING

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

4 FINAL DIVIDEND

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

Taxation

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

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

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

5 CLOSURES OF REGISTER OF MEMBERS

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

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

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

6 AUDIT COMMITTEE

The Company has established the audit committee of the Company (the “**Audit Committee**”) in accordance with Rule 3.21 of the Listing Rules and the CG Code, with terms of reference in writing. The Audit Committee consists of five members, being Mr. CHENG Dongyue, Mr. WU Tak Lung and Ms. LIN Zhen, independent non-executive Directors, Mr. LOU Yixiang and Mr. LI Peng, non-executive Directors. The Audit Committee is chaired by Mr. WU Tak Lung who has a professional qualification in accountancy as required by the Listing Rules.

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

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

7 SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

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

The Company has received the approval for the listing of and the permission to deal in the Converted H Shares, which was granted by the Stock Exchange on March 9, 2021. For details and progress of the implementation plan of the conversion and listing of the Converted H Shares, please refer to the announcement of the Company of March 17, 2021.

8 PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the period from the Listing Date and up to the end of the Reporting Period, the Company have not purchased, sold, or redeemed any of the Company’s listed securities.

9 PUBLICATION OF ANNUAL REPORT

This announcement was published on the website of Stock Exchange (www.hkexnews.hk) and on the website of the Company (www.zgclease.com). The 2020 annual report of the Company will be despatched to the Shareholders and published on the websites of Stock Exchange and the Company in due course.

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

By order of the Board
Zhongguancun Science-Tech Leasing Co., Ltd.
DUAN Hongwei
Chairman

Beijing, the PRC, March 19, 2021

As at the date of this announcement, the Board comprises Mr. HE Rongfeng and Mr. HUANG Wen as executive directors, Mr. DUAN Hongwei, Mr. LOU Yixiang and Mr. ZHANG Shuqing as non-executive directors, and Mr. CHENG Dongyue, Mr. Wu Tak Lung and Ms. LIN Zhen as independent non-executive directors.