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, 2021

FINANCIAL HIGHLIGHTS

- For the year ended December 31, 2021, the revenue amounted to approximately RMB656.9 million, representing an increase of approximately 11.8% as compared with that of approximately RMB587.6 million for the year ended December 31, 2020.
- For the year ended December 31, 2021, the profit before taxation amounted to approximately RMB261.6 million, representing an increase of approximately 21.4% as compared with that of approximately RMB215.5 million for the year ended December 31, 2020.
- For the year ended December 31, 2021, the profit for the year amounted to approximately RMB195.9 million, representing an increase of approximately 21.3% as compared with that of approximately RMB161.5 million for the year ended December 31, 2020.
- As of December 31, 2021, the total assets amounted to approximately RMB9,428.6 million, representing an increase of approximately 15.5% as compared with that of approximately RMB8,165.1 million as of December 31, 2020.
- As of December 31, 2021, the total shareholders' equity amounted to approximately RMB2,054.1 million, representing an increase of approximately 7.2% as compared with that of approximately RMB1,915.8 million as of December 31, 2020.
- For the year ended December 31, 2021, the return on average equity was 9.9%.
- For the year ended December 31, 2021, the return on average assets was 2.2%.
- The Board recommends the payment of a final dividend of RMB0.045 per share (tax inclusive) for the year ended December 31, 2021.

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, 2021 (the "**Reporting Period**") with the comparative figures for the year ended December 31, 2020 are as follows:

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

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

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

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2021

(Expressed in RMB)

	Note	**2021**	2020
		RMB'000	*RMB'000*
Profit for the year		**195,917**	161,466
Other comprehensive income for the year (after tax and reclassification adjustments)	*12*		
Items that will not be reclassified to profit or loss:			
– Equity investments at fair value through other comprehensive income – net movement in fair value reserves (non-recycling)		**349**	371
Total comprehensive income for the year		**196,266**	161,837
Attributable to:			
Equity shareholders of the Company		**196,266**	161,837
Total comprehensive income for the year		**196,266**	161,837

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at December 31, 2021

(Expressed in RMB)

	Note	**December 31, 2021** *RMB'000*	December 31, 2020 *RMB'000*
Non-current assets			
Property and equipment	*13*	**42,265**	13,037
Intangible assets	*14*	**13,574**	10,305
Loans and receivables	*15*	**3,778,745**	3,431,726
Financial assets at fair value through other comprehensive income	*16*	**11,986**	11,521
Financial assets at fair value through profit and loss		**1,000**	–
Interest in associates	*17*	**116,219**	72,328
Other assets	*18*	**634**	544
Deferred tax assets	*19(b)*	**66,638**	53,224
		4,031,061	3,592,685
Current assets			
Loans and receivables	*15*	**4,694,087**	3,950,430
Other assets	*18*	**34,081**	70,836
Pledged and restricted deposits		**19,231**	137,830
Cash and cash equivalents	*20*	**650,163**	413,273
		5,397,562	4,572,369
Current liabilities			
Borrowings	*21*	**2,831,819**	3,068,052
Income tax payable	*19(a)*	**32,144**	26,319
Trade and other liabilities	*22*	**1,073,230**	1,301,405
		3,937,193	4,395,776
Net current assets		**1,460,369**	176,593
Total assets less current liabilities		**5,491,430**	3,769,278

	Note	December 31, 2021 RMB'000	December 31, 2020 RMB'000
Non-current liabilities			
Borrowings	*21*	**2,539,257**	1,084,994
Trade and other liabilities	*22*	**898,092**	768,469
		3,437,349	1,853,463
NET ASSETS		**2,054,081**	1,915,815
CAPITAL AND RESERVES	*23*		
Share capital		**1,333,334**	1,333,334
Reserves		**720,747**	582,481
Total equity attributable to equity shareholders of the Company		**2,054,081**	1,915,815
TOTAL EQUITY		**2,054,081**	1,915,815

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

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

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

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

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

CONSOLIDATED CASH FLOWS STATEMENTS

For the year ended December 31, 2021

(Expressed in RMB)

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

	Note	2021	2020
		RMB'000	*RMB'000*
Financing activities			
Proceeds from borrowings	*20(b)*	**5,703,456**	3,662,822
Proceeds from issue of H shares		**–**	447,286
Capital element of lease rentals paid	*20(b)*	**(9,175)**	(12,167)
Repayment of borrowings	*20(b)*	**(4,479,681)**	(3,668,714)
Interest element of lease rentals paid	*20(b)*	**(1,206)**	(774)
Payments for listing expenses		**–**	(17,729)
Interest paid	*20(b)*	**(194,932)**	(191,937)
Other borrowing costs paid	*20(b)*	**(16,342)**	(10,864)
Dividends paid to equity shareholders of the Company	*23(e)*	**(58,000)**	(50,000)
Net cash generated from financing activities		**944,120**	157,923
Foreign exchange loss		**(10)**	(65)
Net increase in cash and cash equivalents		**236,890**	161,167
Cash and cash equivalents at the beginning of the year		**413,273**	252,106
Cash and cash equivalents at the end of the year	*20(a)*	**650,163**	413,273

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, 2021 comprise the Company and its consolidated structured entities (see Note 29) (together referred to as the "**Group**") and the Group's interest in associates.

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

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

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

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

(c) Changes in accounting policies

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

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

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

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

(d) Subsidiaries and non-controlling interests

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

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

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

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 – 5 years
–	Office equipment	5 years
–	Others	5 – 10 years

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

(g) Intangible assets

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

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

	Estimate useful lives
Software	2 – 10 years

Both the period and method of amortization are reviewed annually.

(h) Leased assets

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

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

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

(ii) As a lessor

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

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

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

(i) Financial instruments

(i) Recognition and initial measurement

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

(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;

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

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

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

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

ECLs are measured on either of the following bases:

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

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

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

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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.

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortised cost, using the effective interest method and including an allowance for credit losses (see note 1(i)(v)).

(l) Cash and cash equivalents

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

(m) Trade and other payables

Trade and other payables are initially recognised at fair value. Subsequent to initial recognition, trade and other payables are stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

(n) Interest-bearing borrowings

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

(o) Impairment of non-financial assets

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

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

– intangible assets; and

– interest in associates.

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

– *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit). A portion of the carrying amount of a corporate asset (for example, head office building) is allocated to an individual cash-generating unit if the allocation can be done on a reasonable and consistent basis, or to the smallest group of cash-generating units if otherwise.

– *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.

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

(s) Revenue and other income

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

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

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, 2021 and 2020, with whom transactions have exceeded 10% of the Group's aggregate revenues.

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

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

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

Note:

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

4 OTHER NET INCOME

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

Note:

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

5 INTEREST EXPENSE

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

6 OPERATING EXPENSE

Profit before taxation is arrived at after charging:

(a) Staff costs

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

(b) **Other items**

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

7 IMPAIRMENT LOSSES CHARGED

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

8 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

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

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

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

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

Notes:

(i) The Company is subject to PRC EIT at the statutory rate of 25%. The consolidated structured entities are not subject to PRC EIT.

(ii) No provision for Hong Kong Profits Tax has been made for the Company and the consolidated structured entities as the Company and the consolidated structured entities have not derived any income subject to Hong Kong Profits Tax.

9 DIRECTORS' AND SUPERVISORS' REMUNERATION

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

	2021					
	Fees *RMB'000*	**Salaries, allowances and benefits in kind** *RMB'000*	**Discretionary bonuses** *RMB'000*	**Retirement scheme contributions** *RMB'000*	**Cash-settled share-based payment** *RMB'000*	**Total** *RMB'000*
Non-executive directors						
Duan Hongwei (段宏偉)	–	–	–	–	48	48
Lou Yixiang (婁毅翔)	–	–	–	–	–	–
Zhang Shuqing (張書清)	–	–	–	–	–	–
Li Peng (李鵬) (resigned on March 19, 2021)	–	–	–	–	–	–
Du Yunchao (杜雲超) (assigned on May 28, 2021)	–	–	–	–	–	–
Executive directors						
He Rongfeng (何融峰)	–	743	960	–	48	1,751
Huang Wen (黃聞)	–	699	300	–	38	1,037
Independent non-executive directors						
Cheng Dongyue (程東躍)	–	150	–	–	–	150
Wu Tak Lung (吳德龍)	–	150	–	–	–	150
Lin Zhen (林禎)	–	150	–	–	–	150
Supervisors						
Zhang Jian (張健)	–	–	–	–	–	–
Tian Anping (田安平)	–	–	–	–	–	–
Fang Fang (方放)	–	–	–	–	–	–
Long Limin (龍利民) (resigned on March 19, 2021)	–	–	–	–	–	–
Kan Wei (闞巍) (assigned on May 28, 2021)	–	–	–	–	–	–
Tong Chao (佟超)	–	620	300	–	–	920
Zhou Di (周迪)	–	480	144	–	–	624
Han Nana (韓娜娜)	–	321	81	–	–	402
Total	–	3,313	1,785	–	134	5,232

	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 (黄聞)	–	510	469	–	2	981
Independent non-executive directors						
Cheng Dongyue (程東躍)	–	15	–	–	–	15
Wu Tak Lung (吳德龍)	–	15	–	–	–	15
Lin Zhen (林禎)	–	15	–	–	–	15
Supervisors						
Zhang Jian (張健)	–	–	–	–	–	–
Tian Anping (田安平)	–	–	–	–	–	–
Fang Fang (方放)	–	–	–	–	–	–
Long Limin (龍利民)	–	–	–	–	–	–
Tong Chao (佟超)	–	550	209	–	–	759
Zhou Di (周迪)	–	330	332	–	–	662
Han Nana (韓娜娜)	–	294	114	–	–	408
Total	–	2,428	2,785	–	6	5,219

10 INDIVIDUALS WITH HIGHEST EMOLUMENTS

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

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

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

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

11 BASIC AND DILUTED EARNINGS PER SHARE

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

There is no difference between basic and diluted earnings per share as there were no potentially dilutive shares outstanding for the years ended December 31, 2021 and 2020.

Weighted average number of ordinary shares (in thousands)

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

12 OTHER COMPREHENSIVE INCOME

	2021			2020		
	Before-tax amount	**Tax expense**	**Net-of-Tax amount**	Before-tax amount	Tax expense	Net-of-Tax amount
	RMB'000	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*
Equity investments at FVOCI: net movement in fair value reserve (non-recycling)	**465**	**(116)**	**349**	495	(124)	371

13 PROPERTY AND EQUIPMENT

	Properties leased for own use carried at cost *RMB'000*	Electronic equipment *RMB'000*	Office equipment *RMB'000*	Others *RMB'000*	Total *RMB'000*
Cost					
As at January 1, 2020	30,482	1,539	836	799	33,656
Additions	–	1,840	166	648	2,654
Disposals	–	(32)	–	–	(32)
As at December 31, 2020/ January 1, 2021	30,482	3,347	1,002	1,447	36,278
Additions	43,123	712	156	539	44,530
Disposals	(23,404)	(83)	(6)	(827)	(24,320)
As at December 31, 2021	50,201	3,976	1,152	1,159	56,488
Accumulated depreciation					
As at January 1, 2020	(9,563)	(839)	(535)	(371)	(11,308)
Charge for the year	(10,805)	(545)	(89)	(503)	(11,942)
Written back on disposals	–	9	–	–	9
As at December 31, 2020/ January 1, 2021	(20,368)	(1,375)	(624)	(874)	(23,241)
Charge for the year	(14,105)	(536)	(122)	(482)	(15,245)
Written back on disposals	23,404	26	6	827	24,263
As at December 31, 2021	(11,069)	(1,885)	(740)	(529)	(14,223)
Net carrying amount					
As at December 31, 2021	39,132	2,091	412	630	42,265
As at December 31, 2020	10,114	1,972	378	573	13,037

14 INTANGIBLE ASSETS

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

Intangible assets mainly represent software.

15 LOANS AND RECEIVABLES

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

Note:

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

Analysis for reporting purpose as:

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

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

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

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

Lessees' deposits are calculated and collected based on a certain percentage of the entire value of the lease contract. The deposits are returned to the lessees in full by end of lease period according to the terms of the lease contracts. The balance of the customers' deposits can also be applied and used to settle any outstanding lease payments for the corresponding lease contracts. As at December 31, 2021, the lessees' deposits of RMB1,076.0 million were pledged for related loans and receivables (December 31, 2020: RMB1,015.2 million), see Note 22.

(a) Present value of minimum finance lease receivables:

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

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

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

	December 31, 2020			
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Net amount of loans and receivables	7,067,972	46,180	450,358	7,564,510
Less: Allowances for impairment losses	(35,826)	(1,989)	(144,539)	(182,354)
Carrying amount of loans and receivables	7,032,146	44,191	305,819	7,382,156

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

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

	December 31, 2020			
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Balance at January 1, 2020	25,391	2,422	109,817	137,630
Transfer:				
– to 12-month ECL	15	–	(15)	–
– to lifetime ECL not credit-impaired	(296)	296	–	–
– to lifetime ECL credit-impaired	(498)	(2,051)	2,549	–
Charge	11,214	1,322	32,188	44,724
Balance at December 31, 2020	35,826	1,989	144,539	182,354

16 FINANCIAL ASSETS AT FVOCI

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

Notes:

(i) The unlisted equity securities are shares in Beijing Zhongguancun Synergetic Innovation Investment Fund Management Co., Ltd. (北京中關村協同創新投資基金管理有限公司), a company established in the PRC and engaged in investment management. The Group designated this investment at FVOCI (non-recycling), as the investment is held for strategic purposes. Dividends of RMB0.3 million were received on this investment in 2021 (2020: RMB0.5 million).

17 INTEREST IN ASSOCIATES

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

				Proportion of ownership interest		
Name of associate	**Form of business structure**	**Place of incorporation and business**	**Particulars of issued and paid up capital**	**Group's effective interest**	**Held by the Company**	**Principal activity**
Beijing Zhongnuo Tongchuang Investment Fund Management Co., Ltd. (北京中諾同創投資基金管理有限公司, "**Beijing Zhongnuo**")	Incorporated	PRC	RMB2.0 million	39%	39%	Investment management
Jiangsu Zhongguancun Zhongnuo Xietong Investment Fund (Limited Partnership) (江蘇中關村中諾協同投資基金合夥企業(有限合夥), "**Jiangsu Zhongnuo**")	Partnership	PRC	RMB200.0 million	49%	49%	Investment management

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

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

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

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

18 OTHER ASSETS

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

19 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Income tax payable

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

(b) The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements for the years ended December 31, 2021 and 2020 are as follows:

Deferred tax arising from:	**Revaluation of FVOCI**	**Revenue with EIT paid in prior years**	**Revaluation of Equity Investments**	**Allowance for impairment losses**	**Accrued staff costs**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
January 1, 2020	(2,006)	6,153	–	34,496	4,978	43,621
Charged to profit or loss	–	(3,085)	–	11,117	1,695	9,727
Charged to other comprehensive income	(124)	–	–	–	–	(124)
December 31, 2020/January 1, 2021	(2,130)	3,068	–	45,613	6,673	53,224
Charged to profit or loss	–	5,805	(4,850)	13,251	(676)	13,530
Charged to other comprehensive income	(116)	–	–	–	–	(116)
December 31, 2021	(2,246)	8,873	(4,850)	58,864	5,997	66,638

20 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

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

(b) **Reconciliation of liabilities arising from financing activities**

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated statements of cash flows as cash flows from financing activities.

	Borrowings *RMB'000*	Lease liabilities *RMB'000*	Interest payable *RMB'000*	Total *RMB'000*
As at 1 January 2020	4,158,382	17,514	18,790	4,194,686
Changes from financing cash flows:				
Capital element of lease rentals paid	–	(12,167)	–	(12,167)
Proceeds from borrowings	3,662,822	–	–	3,662,822
Repayment of borrowings	(3,668,714)	–	–	(3,668,714)
Interest element of lease rentals paid	–	(774)	–	(774)
Interest paid	–	–	(191,937)	(191,937)
Other borrowing costs paid	(10,864)	–	–	(10,864)
Other changes:				
Increase in lease liabilities from entering into new leases during the year	–	647	–	647
Interest expense	–	774	198,302	199,076
Other borrowing costs	10,864	–	–	10,864
Interest adjustment for asset-backed securities	556	–	–	556
As at 31 December 2020	4,153,046	5,994	25,155	4,184,195

	Borrowings ***RMB'000***	**Lease liabilities** ***RMB'000***	**Interest payable** ***RMB'000***	**Total** ***RMB'000***
As at 1 January 2021	**4,153,046**	**5,994**	**25,155**	**4,184,195**
Changes from financing cash flows:				
Capital element of lease rentals paid	**–**	**(9,175)**	**–**	**(9,175)**
Proceeds from borrowings	**5,703,456**	**–**	**–**	**5,703,456**
Repayment of borrowings	**(4,479,681)**	**–**	**–**	**(4,479,681)**
Interest element of lease rentals paid	**–**	**(1,206)**	**–**	**(1,206)**
Interest paid	**–**	**–**	**(194,932)**	**(194,932)**
Other borrowing costs paid	**(16,342)**	**–**	**–**	**(16,342)**
Other changes:				
Increase in lease liabilities from entering into new leases during the year	**–**	**43,665**	**–**	**43,665**
Interest expense	**–**	**1,206**	**187,971**	**189,177**
Other borrowing costs	**16,342**	**–**	**–**	**16,342**
Interest adjustment for asset-backed securities	**(5,745)**	**–**	**–**	**(5,745)**
As at 31 December 2021	**5,371,076**	**40,484**	**18,194**	**5,429,754**

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

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

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

21 BORROWINGS

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

Analysis for reporting purpose as:

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

Notes:

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

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

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

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

On September 9, 2020, the Company issued asset-backed securities with two tranches: senior tranche Class A1 with principal amount of RMB300.0 million, coupon rate of 4.10% and an expected maturity date on June 8, 2022; senior tranche Class A2 with principal amount of RMB126.0 million, coupon rate of 4.20% and an expected maturity date on March 8, 2023; senior tranche Class B with principal amount of RMB130.0 million, coupon rate of 4.10% and an expected maturity date on September 8, 2023; junior tranche with principal amount of RMB18.0 million and an expected maturity date on September 8, 2025. The Company holds all junior tranche asset-backed securities.

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

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

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

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

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

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

22 TRADE AND OTHER LIABILITIES

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

(a) Provision for credit commitments

	2021			
	12-month ECL *RMB'000*	**Lifetime ECL not credit-impaired** *RMB'000*	**Lifetime ECL credit-impaired** *RMB'000*	**Total** *RMB'000*
Balance at January 1, 2021	**98**	**–**	**–**	**98**
Reversal	**(68)**	**–**	**–**	**(68)**
Balance at December 31, 2021	**30**	**–**	**–**	**30**

	2020			
	12-month ECL *RMB'000*	Lifetime ECL not credit-impaired *RMB'000*	Lifetime ECL credit-impaired *RMB'000*	Total *RMB'000*
Balance at January 1, 2020	355	–	–	355
Reversal	(257)	–	–	(257)
Balance at December 31, 2020	98	–	–	98

(b) Lease liabilities

The following table shows the remaining contractual maturities of the Group's lease liabilities at December 31, 2021:

	December 31, 2021		December 31, 2020	
	Present value of the minimum lease payments *RMB'000*	**Total minimum lease payments** *RMB'000*	Present value of the minimum lease payments *RMB'000*	Total minimum lease payments *RMB'000*
Within 1 year	**12,423**	**14,006**	1,946	2,564
After 1 year but within 2 years	**11,555**	**12,645**	2,681	2,828
After 2 years but within 5 years	**16,506**	**17,171**	1,367	1,414
	40,484	**43,822**	5,994	6,806
Less: total future interest expenses		**(3,338)**		(812)
Present value of lease liabilities		**40,484**		5,994

(c) Accrued staff costs

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

23 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

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

	Share capital	Capital reserve	Surplus reserve	Fair value reserve	General reserve	Retained profits	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	23(b)	*23(c)*	*23(d)(i)*	*23(d)(ii)*	*23(d)(iii)*		
At January 1, 2020	1,000,000	252,761	13,814	1,239	–	124,322	1,392,136
Changes in equity for 2019							
Profit for the year	–	–	–	–	–	161,218	161,218
Other comprehensive income	–	–	–	371	–	–	371
Total comprehensive income	–	–	–	371	–	161,218	161,589
Appropriation to statutory reserve	–	–	16,122	–	–	(16,122)	–
Dividends approved in respect of the previous years	–	–	–	–	110,470	(110,470)	–
	–	–	–	–	–	(50,000)	(50,000)
Conversion into joint stock company	333,334	78,388	–	–	–	–	411,722
At December 31, 2020/ January 1, 2021	1,333,334	331,149	29,936	1,610	110,470	108,948	1,915,447
Changes in equity for 2021							
Profit for the year	–	–	–	–	–	196,159	196,159
Other comprehensive income	–	–	–	349	–	–	349
Total comprehensive income	–	–	–	349	–	196,159	196,508
Appropriation to statutory reserve	–	–	19,616	–	–	(19,616)	–
Dividends approved in respect of the previous years	–	–	–	–	–	(58,000)	(58,000)
At December 31, 2021	1,333,334	331,149	49,552	1,959	110,470	227,491	2,053,955

(b) Share capital

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

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

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

On January 21, 2020, the Company initial public offered 333,334,000 H Shares (nominal value RMB1.00 per H Share) on the Hong Kong Stock Exchange at a price of HK$1.52 per H Share. Following the completion of H share full circulation on April 14, 2021, the Company's registered share capital includes 840,000,000 domestic shares and 493,334,000 H shares.

(c) Capital reserve

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

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

(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 "Guidelines for the Supervision and Management of Beijing Financial Leasing Companies (Trial) (《北京市融資租賃公司監督管理指引（試行）》)" (the "**Guidelines**") issued on April 7, 2020, the Company maintained a general reserve within equity, through the appropriation of net profit, which should be no less than 1.5% of the year end balance of gross risk-bearing assets in 2020. Since the Guidelines were annulled on July 15, 2021, there is no requirement for the Company to appropriate its net profit to general reserve in future.

(e) Dividends

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

According to the proposal of the meeting of board of directors dated March 18, 2022, the profit distributed in cash by the Company to its equity shareholders amounted to RMB60.0 million (2020: RMB58.0 million). The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

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

Final dividend in respect of the previous financial year, approved and paid during the 2021 was RMB58.0 million (2020: RMB50.0 million).

(f) **Capital management**

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

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

24 SHARE-BASED PAYMENT ARRANGEMENTS

(a) Description of share-based payment arrangements

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

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

	2021	2020
	RMB'000	*RMB'000*
Total carrying amount of liabilities for SARs	**952**	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:

	2021	2020
Fair value at measurement date *(in RMB)*	**0.09**	0.29
Share price *(in HKD)*	**0.8**	1.1
Exercise price *(in RMB)*	**1**	1
Expected volatility	**35.39%**	35.73%
Expected life *(year)*	**4.0**	5.0
Expected dividends	**0%**	0%
Risk-free interest rate	**1.25%**	0.48%

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

(c) Reconciliation of outstanding SARs

The number and exercise price of SARs are as follows:

	Number of SARs	Exercise price
Outstanding at January 1, 2021	12,670,000	RMB1
Granted during the year	–	–
Outstanding at December 31, 2021	12,670,000	RMB1
Exercisable at December 31, 2021	–	–

The SARs outstanding at December 31, 2021 had an exercise price of RMB1 and a remaining contractual life of 4 years.

(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, 2021 ***RMB'000***	December 31, 2020 *RMB'000*
Cash and cash equivalents	**650,163**	413,273
Pledged and restricted deposits	**19,231**	137,830
Loans and receivables	**8,708,258**	7,564,510
Notes and other receivables	**5,523**	6,780
Total	**9,383,175**	8,122,393

The maximum exposure to credit risk in respect of those off-balance sheet items as at the end of the reporting period is disclosed in Note 26(a).

(i) Loans and receivables credit risk management

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. As at December 31, 2021, 1.54% of the total net amounts of loans and receivables was due from the Group's largest customer (December 31, 2020: 2.03%), and 5.75% of the total net amounts of loans and receivables was due from the Group's five largest customers (December 31, 2020: 7.38%).

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

The Group performs standardised management throughout the entire finance lease business processes, including investigation of and application for finance lease projects, due diligence, review and approval of lease projects, release of finance lease funds, post-lease monitoring, and management of bad and doubtful financial lease receipts. The Group also identifies, monitors and manages potential credit risks throughout its operations with its five-tier risk grading system, policies and procedures related to credit risk management, leasing business information system, management of the investment direction of its leasing business and optimising the structure of its leasing assets.

Changes in the economic environment or the distribution of a particular industry of finance lease assets in the Group's asset portfolio may cause losses to the Group. Credit risk exposure in the balance sheet is associated primarily with loans and receivables. The Group's credit risk is managed by the Engagement Evaluation Department, Risk Management Department, Asset Management Department and the Evaluation Committee.

(ii) Risk limits management and mitigation measures

The Group monitors credit risk limits on a regular basis, manages, limits, and controls the concentration of credit risk it identifies, particularly in industries, regions, and single customers.

To optimise the credit risk structure, the Group identifies the direction of its leasing business and sets limits for industries, regions and single lessees with reference to global economic developments, industry trends and corporate strategic objectives. The Group controls the set-up of leasing projects according to the industry's and region's risk levels.

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 loans and receivables by industry is set out below:

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

An analysis of gross amount of loans and receivables by area is set out below:

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

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

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

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

An analysis of loans and receivables by credit quality is set out below:

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

(b) Market risk

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

(i) Currency risk

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

The directors consider the Group's exposure to foreign currency risk is not significant for 2021 as the foreign currency balance of the Group at the end of the reporting period is immaterial.

(ii) Interest rate risk

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

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

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

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

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

The following table illustrates the potential impact of a parallel upward or downward shift of 100 basis points in all financial instruments' yield rate on the Group's retained profits, based on the Group's positions of interest-generating assets and interest-bearing liabilities at the end of at December 31, 2021.

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

(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	**Within 1 month**	**1 to 3 months**	**3 months to 1 year**	**1 to 5 years**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
December 31, 2021						
Cash and cash equivalent	**650,163**	**–**	**–**	**–**	**–**	**650,163**
Pledged and restricted deposits	**–**	**–**	**–**	**19,231**	**–**	**19,231**
Loans and receivables	**455,134**	**286,061**	**996,510**	**3,627,499**	**4,023,192**	**9,388,396**
Financial assets at FVOCI	**11,986**	**–**	**–**	**–**	**–**	**11,986**
Financial assets at FVTPL	**1,000**	**–**	**–**	**–**	**–**	**1,000**
Other assets – notes and other receivables	**10**	**900**	**–**	**500**	**4,113**	**5,523**
Total financial assets	**1,118,293**	**286,961**	**996,510**	**3,647,230**	**4,027,305**	**10,076,299**
Borrowings	**–**	**91,172**	**588,680**	**2,151,967**	**2,546,797**	**5,378,616**
Trade and other liabilities	**2,637**	**86,793**	**235,484**	**667,476**	**870,656**	**1,863,046**
Lease liabilities	**–**	**38**	**3,464**	**10,504**	**29,816**	**43,822**
Total financial liabilities	**2,637**	**178,003**	**827,628**	**2,829,947**	**3,447,269**	**7,285,484**
Net exposure	**1,115,656**	**108,958**	**168,882**	**817,283**	**580,036**	**2,790,815**

	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
Loans and receivables	384,683	297,113	832,185	3,004,674	3,678,612	8,197,267
Financial assets at FVOCI	11,521	–	–	–	–	11,521
Other assets – notes and other receivables	1,628	200	–	840	4,112	6,780
Total financial assets	811,105	297,313	832,185	3,143,344	3,682,724	8,766,671
Borrowings	–	70,453	506,995	2,490,604	1,086,790	4,154,842
Trade and other liabilities	8,736	132,636	272,601	867,031	769,752	2,050,756
Lease liabilities	–	35	408	2,121	4,242	6,806
Total financial liabilities	8,736	203,124	780,004	3,359,756	1,860,784	6,212,404
Net exposure	802,369	94,189	52,181	(216,412)	1,821,940	2,554,267

(d) Fair values

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

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

	December 31, 2021			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets at FVOCI	**–**	**–**	**11,986**	**11,986**
Financial assets at FVTPL	**–**	**–**	**1,000**	**1,000**
Total	**–**	**–**	**12,986**	**12,986**

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

For the years ended December 31, 2021 and 2020, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Information about Level 3 fair value measurements

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

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

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

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

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

26 COMMITMENTS AND CONTINGENT LIABILITIES

(a) Credit commitments

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

(b) Capital commitments

As at December 31, 2021, the unpaid capital investment against Beijing Zhongnuo Tongchuang Investment Fund Management Co., Ltd. (北京中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 nil (December 31, 2020: RMB3.1 million and RMB24.5 million), respectively.

27 MATERIAL RELATED PARTY TRANSACTIONS

(a) Name and relationship with related parties

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

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

(b) Transaction amounts with related parties:

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

(c) The balances of transactions with related parties:

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

Notes:

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

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

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

(d) Transactions with key management personnel

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

28 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	December 31, 2021	December 31, 2020
	RMB'000	*RMB'000*
Non-current assets		
Property and equipment	**42,265**	13,037
Intangible assets	**13,574**	10,305
Loans and receivables	**3,778,745**	3,431,726
Financial assets at fair value through other comprehensive income	**11,986**	11,521
Financial assets at fair value through profit and loss	**1,000**	–
Interest in associates	**116,219**	72,328
Other assets	**634**	544
Deferred tax assets	**66,638**	53,224
	4,031,061	3,592,685
Current assets		
Loans and receivables	**4,694,087**	3,950,430
Other assets	**34,081**	70,836
Pledged and restricted deposits	**18,183**	137,462
Cash and cash equivalents	**650,163**	413,273
	5,396,514	4,572,001
Current liabilities		
Borrowings	**2,831,819**	3,068,052
Income tax payable	**32,144**	26,319
Trade and other liabilities	**1,072,308**	1,301,405
	3,936,271	4,395,776
Net current assets	**1,460,243**	176,225
Total assets less current liabilities	**5,491,304**	3,768,910
Non-current liabilities		
Borrowings	**2,539,257**	1,084,994
Trade and other liabilities	**898,092**	768,469
	3,437,349	1,853,463
NET ASSETS	**2,053,955**	1,915,447
CAPITAL AND RESERVES		
Share capital	**1,333,334**	1,333,334
Reserves	**720,621**	582,113
TOTAL EQUITY	**2,053,955**	1,915,447

29 CONSOLIDATED STRUCTURED ENTITIES

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

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

30 COMPARATIVE FIGURES

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

31 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

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

32 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At December 31, 2021, the directors consider the immediate parent and ultimate controlling party of the Group to be Zhongguancun Development Group Co., Ltd. (中關村发展集團股份有限公司).

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

Up to the date of issue of these financial statements, the IASB has issued a number of amendments and a new standard, IFRS 17, Insurance Contracts, which are not yet effective for the year ended December 31, 2021 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IFRS 3, *Reference to the conceptual framework*	January 1, 2022
Amendments to IAS 16, *Property, plant and equipment: Proceeds before intended use*	January 1, 2022
Amendments to IAS 37, *Onerous contracts – cost of fulfilling a contract*	January 1, 2022
Annual improvements to IFRSs 2018-2020 cycle	January 1, 2022
Amendments to IAS 1, *Classification of liabilities as current or non-current*	January 1, 2023
Amendments to IAS 1 and IFRS Practice Statement 2, *Disclosure of accounting policies*	January 1, 2023
Amendments to IAS 8, *Definition of accounting estimates*	January 1, 2023
Amendments to IAS 12, *Deferred tax related to assets and liabilities arising from a single transaction*	January 1, 2023

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

	For the year ended December 31,				
	2021	2020	2019	2018	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Operating Performance					
Revenue	**656,943**	587,565	515,340	412,783	358,581
Interest income	**541,367**	480,944	420,698	340,571	283,771
Advisory fee income	**115,576**	106,621	94,642	72,212	74,810
Other net income	**14,423**	19,079	18,759	16,331	9,606
Interest expense	**(246,545)**	(232,839)	(220,978)	(168,012)	(155,134)
Operating expense	**(129,407)**	(116,141)	(100,190)	(74,854)	(56,820)
Impairment losses charged	**(53,004)**	(44,467)	(27,768)	(27,364)	(25,969)
Share of gains/(losses) of associates	**19,391**	(1,687)	(265)	–	–
Net foreign exchange gains/(losses)	**(175)**	3,999	(12)	–	–
Profit before taxation	**261,626**	215,509	184,886	158,884	130,264
Net profit	**195,917**	161,466	138,256	118,996	97,435
Basic and diluted earnings per Share *(in RMB)*	**0.15**	0.12	0.14	0.12	0.13
Profitability					
Return on average equity (1)	**9.9%**	9.8%	10.3%	9.6%	10.6%
Return on average assets (2)	**2.2%**	2.1%	2.1%	2.2%	2.1%
Net interest margin (3)	**3.8%**	3.6%	3.4%	3.6%	2.9%
Net interest spread (4)	**2.6%**	2.4%	2.2%	2.4%	2.2%
Net profit margin (5)	**29.8%**	27.5%	26.8%	28.8%	26.0%

Notes:

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

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

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

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

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

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

Notes:

(1) Calculated based on contractual undiscounted cash flows.

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

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

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

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

(6) Represent the percentage of non-performing assets ("**NPA**") in the total interest-earning assets before deducting allowances for impairment losses.

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

1. BUSINESS REVIEW

1.1 Economic Situation

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

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

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

Source: The People's Bank of China

1.2 Company's Response

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

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

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

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

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

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

2. ANALYSIS OF PROFIT OR LOSS

2.1 Overview

In 2021, the Group continuously adopted the customer-oriented business model, and was dedicated to serving technology and new economy companies of high growth potential in the PRC. The Group was able to benefit from the business growth of the customer, and maintained steady growth in its business performance. In 2021, the Group realized a total revenue of RMB656.9 million, representing a 11.8% year-on-year growth, and the profit during the year increased to RMB195.9 million, representing a 21.3% year-on-year growth.

2.2 Revenue

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

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

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

The Group's customers are mainly concentrated in five technology and new economy industries: big data, eco-solutions, life sciences & healthcare, intelligent manufacturing and internet-based products & services. In 2021, the Group continued to cultivate technology and new economy industries, and optimize the asset structure. In 2021, the revenue of the internet-based products & services and life sciences & healthcare divisions increased by 30.0% and 21.3%, respectively, compared with the last year.

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

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

In 2021, a significant portion of the revenue was generated from the northern region of China, and business coverage of the Group expanded steadily in other regions. While further strengthening the customer base in the Beijing-Tianjin-Hebei Integrated Area, the Group has gradually penetrated its business into other regions that nursed and nurtured a growing number of Chinese technology and new economy companies such as the Yangtze River Delta, the Greater Bay Area and the middle reaches of the Yangtze River. Notably, the business growth in eastern region of China was remarkable, with an increase of 39.6% from the previous year.

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

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

2.2.1 *Interest Income*

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

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

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

Notes:

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

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

Analysis by average balance of interest-earning assets

The average balance of interest-earning assets increased by 15.2% from RMB7,063.1 million in 2020 to RMB8,136.4 million in 2021. Particularly, internet-based products & services and eco-solutions industries demonstrated strong growth in the scale, with an increase of 23.1% and 18.4%, respectively, as compared to the previous year.

Analysis by average yield of interest-earning assets

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

2.2.2 *Advisory Fee Income*

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

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

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

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

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

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

2.3 Interest Expense

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

In response to the constantly changing economic and capital market environment, the Group continually tracked market trends and adhered to its flexible and diverse funding strategy. Furthermore, the Group made significant efforts in strengthening its collaborative relationship with various financial institutions in the market to optimize the funding structure, actively explore new financing channels, and reasonably and effectively control financing costs.

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

	For the year ended December 31,				
	2021		2020		**Changes**
	RMB'000	***% of total***	*RMB'000*	*% of total*	
Commercial banks	**100,612**	**40.7%**	86,891	37.3%	15.8%
Borrowings from related parties [1]	**41,816**	**17.0%**	45,299	19.5%	(7.7%)
Asset-backed securities	**45,543**	**18.5%**	53,754	23.1%	(15.3%)
Imputed on interest-free guaranteed deposits	**57,368**	**23.3%**	46,121	19.8%	24.4%
Lease liabilities	**1,206**	**0.5%**	774	0.3%	55.7%
Total interest expense	**246,545**	**100.0%**	232,839	100.0%	5.9%

Note:

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

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

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

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

Notes:

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

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

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

2.4 *Net Interest Spread and Net Interest Margin*

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

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

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

Notes:

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

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

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

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

2.5 Other Net Income

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

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

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

2.6 Operating Expense

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

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

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

2.7 Impairment Losses Charged

Impairment losses charged primarily related to loans and receivables and credit commitments of the Group. In 2021, the expected credit impairment losses of the Group amounted to RMB53.0 million, representing a year-on-year increase of 19.2%, which was mainly due to the influence of the COVID-19 outbreak and the macroeconomic conditions. The Group took a prudent approach to assess the macroeconomic conditions in the future and to estimate the expected credit losses of interest-earning assets, and made appropriate upward adjustment to the parameters for measurement of expected credit losses in order to strengthen overall risk resistance capacity by increasing the asset impairment losses and further improving the asset quality of the Group.

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

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

Note:

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

2.8 *Income Tax Expense*

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

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

2.9 *Profit for the Year*

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

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

2.10 *Basic Earnings per Share*

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

3. ANALYSIS OF FINANCIAL POSITION

3.1 Assets (Overview)

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

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

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

3.2 Loans and Receivables

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

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

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

3.2.1 Industry Profile of Loans and Receivables

In 2021, in the face of the market environment of the downturn in the macroeconomic situation, the Group carried out active asset management, adjusted the direction of asset investment based on the industry boom, and the net amount of loans and receivables made steady progress, of which the intelligent manufacturing business division increased by RMB513.5 million, representing an increase of 39.1% and the life sciences & healthcare business division increased by RMB242.6 million, representing an increase of 16.3%.

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

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

3.2.2 *Geographical Region Profile of Loans and Receivables*

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

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

3.2.3 *Maturity Profile of Loans and Receivables*

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

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

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

3.2.4 *Asset Quality of Loans and Receivables*

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

Loans and Receivables Classification

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

2. Special mention. The lessee is able to perform and has been performing its obligations under the finance lease agreement, but there are adverse factors which may negatively impact our ability to recover the full amount of the lease receivable. Such factors include macro environment, industry policies, management ability of the lessee, credit profile, value of leased assets and lessees' willingness to pay.

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

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

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

Leased Asset Management Measures

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

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

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

Comprehensively shaping digital capability and optimizing asset management system

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3.2.5 Impairment and Allowances for Loans and Receivables

The Group adopts new accounting standards for financial instruments and applies the expected credit loss ("**ECL**") model under the new standards. The allowances for interest-earning assets of the Group increased by RMB53.1 million from RMB182.4 million as of December 31, 2020 to RMB235.4 million as of December 31, 2021.

As of December 31, 2021, ratio of allowances for impairment losses to loans and receivables of the Group was 175.9%, which was 12.7 percentage point higher than that as of December 31, 2020. The management of the Group believes that prudent risk management policy is crucial to the sustainable growth of the Company, and therefore the Group strives to maintain a stable ratio of allowances for impairment losses to loans and receivables.

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

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

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

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

	Stage 1	Stage 2	Stage 3	
		Lifetime ECL		
	12-month ECL balance	Not credit-impaired	Credit-impaired	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
December 31, 2021				
ECL rate%	**0.5%**	**1.0%**	**48.7%**	**2.7%**
Net amount of loans and receivables	**8,312,446**	**2,719**	**393,093**	**8,708,258**
Allowance for impairment loss	**(44,075)**	**(28)**	**(191,323)**	**(235,426)**
Net value of accounts receivable	**8,268,371**	**2,691**	**201,770**	**8,477,832**
December 31, 2020				
ECL rate%	0.5%	4.3%	32.1%	2.4%
Net amount of loans and receivables	7,067,972	46,180	450,358	7,564,510
Allowance for impairment loss	(35,826)	(1,989)	(144,539)	(182,354)
Net value of accounts receivable	7,032,146	44,191	305,819	7,382,156

3.3 Others

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

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

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

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

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

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

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

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

3.4 Liabilities (Overview)

As of December 31, 2021, the total liabilities of the Group amounted to RMB7,374.5 million, representing an increase of RMB1,125.3 million or a growth rate of 18.0% as compared to December 31, 2020. Borrowings were the main component of the liabilities, accounting for 72.8%.

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

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

3.5 Borrowings

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

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

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

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

As of December 31, 2021, the outstanding balance of bank loans was RMB2,153.1 million, accounting for 40.1% of the total borrowings, which was slightly lower as compared to December 31, 2020. The proportion of the balance of borrowings from related parties accounted for 16.8% of the total borrowings, which was slightly lower as compared to December 31, 2020, and the balance of asset-backed securities accounted for 43.2% of the total borrowings, representing a significant increase as the previous year. To further expand our funding sources, the Group plans to actively explore financing products such as asset-backed securities and super short-term commercial paper.

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

	As of December 31, 2021		As of December 31, 2020		**Changes**
	RMB'000	***% of total***	*RMB'000*	*% of total*	
Bank loans	**2,153,106**	**40.1%**	2,335,002	56.1%	(7.8%)
– collateralized	**1,248,758**	**23.2%**	1,394,087	33.6%	(10.4%)
– pledged	**904,348**	**16.9%**	940,915	22.5%	(3.9%)
Borrowings from related parties[1]					
– pledged	**900,000**	**16.8%**	800,000	19.2%	12.5%
Asset-backed securities	**2,317,970**	**43.2%**	1,018,044	24.5%	127.7%
Total borrowings	**5,371,076**	**100.0%**	4,153,046	100.0%	29.3%

Note:

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

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

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

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

3.6 Trade and Other Liabilities

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

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

3.7 Capital and Reserves

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

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

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

4. CAPITAL EXPENDITURES

In 2021, the capital expenditure of the Group was RMB31.1 million, primarily including expenditures for external equity investment, upgrading information system regarding business operations and risk management, and purchase of office and electronic equipment.

5. RISK MANAGEMENT

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

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

5.1 Credit Risks

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

Strict Industry Customer Access

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

Comprehensive Due Diligence System

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

Scientific Credit Evaluation System.

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

Prudent Project Approval Decision

Our project approval has gained three important experiences. First, three-person decision-making mechanism. In choosing customers, starting projects and conducting due diligence, decisions should be made jointly by three persons from relevant teams to ensure the decisions are fair and scientific. Second, professional review managers and committee members. Each review manager identifies their specific industry subdivision. The review committee of each project is composed of five members, whose seats are chairman, industry review member, financial review member, legal review member and comprehensive review member. Third, the project review meeting is open for all staff members to attend, which is conducive to ensuring the fairness and justice of the project review and improving the project review ability of all staff members.

Complete Post-Lease Management System

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

5.2 Interest Rate Risk

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

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

- Managing the difference between the pricing of interest-earning assets and interest-bearing liabilities and LPR and the benchmark interest rate of the PBOC.

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

	Increase/(decrease) in retained profits	
	As of December 31, 2021	As of December 31, 2020
	RMB'000	*RMB'000*
Changes in basis points		
+100 basis points	**12,743**	8,426
-100 basis points	**(12,743)**	(8,426)

5.3 Liquidity Risk

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

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

In 2021, the liquidity position of the Group has been sound. By assessing and monitoring the liquidity situation, the Group allocated financial assets and financial liabilities as a whole to improve its ability to ensure liquidity at a reasonable cost in a timely manner.

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

	Overdue/ on demand	**Within 1 month**	**Within 3 months**	**3 to 12 months**	**1 to 5 years**	**Over 5 years**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
As of December 31, 2021							
Total financial assets	**1,118,293**	**286,961**	**996,510**	**3,647,230**	**4,027,305**		**10,076,299**
Total financial liabilities	**2,637**	**178,003**	**827,628**	**2,829,947**	**3,447,269**		**7,285,484**
Net liquidity gap	**1,115,656**	**108,958**	**168,882**	**817,283**	**580,036**		**2,790,815**
As of December 31, 2020							
Total financial assets	811,105	297,313	832,185	3,143,344	3,682,724		8,766,671
Total financial liabilities	8,736	203,124	780,004	3,359,756	1,860,784		6,212,404
Net liquidity gap	802,369	94,189	52,181	(216,412)	1,821,940		2,554,267

5.4 Foreign Currency Risk

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

6. PLEDGE OF GROUP ASSETS

As of December 31, 2021, the Group held loans and receivables of RMB5,192.9 million pledged to secure borrowings, and cash of RMB18.7 million pledged for bank acceptances, factorings and asset-backed securities.

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

	As of December 31, 2021	As of December 31, 2020
	RMB'000	*RMB'000*
Pledged loans and receivables		
For factorings	**579,814**	676,928
For loan borrowings	**1,923,470**	1,361,192
For asset-backed securities	**2,588**	998,277
Restricted bank deposits	**18,715**	137,830
Total pledged assets	**5,221,516**	3,174,226

7. MATERIAL INVESTMENTS, ACQUISITIONS AND DISPOSALS

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

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

8. HUMAN RESOURCES

8.1 Staff and Remuneration

As of December 31, 2021, the Group had a total of 129 employees (As of December 31, 2020: 120), with approximately 100.0% of our staff holding bachelor's degrees or above, and approximately 63.6% holding master's degrees or above (47 employees obtained bachelor's degrees, 82 employees obtained master's degrees). Approximately 17.1% (22 employees) have intermediate professional titles or above; and approximately 6.2% (8 employees) have associate senior professional titles or above.

The Group's employees are generally stable with a high retention rate. In addition to the normal flow of people, approximately 38.0% of our employees (49 employees) have been worked for the Group for over five years. We did not experience any material labor disputes as of December 31, 2021.

For the year ended December 31, 2021, the staff costs of the Group amounted to approximately RMB72.0 million (2020: approximately RMB67.7 million).

8.2 Incentive Schemes

We have established and implemented flexible and efficient employee incentive schemes to correlate the remuneration of our employees with their overall performance and contribution to the Group and have established a performance-based remuneration awards system that combines their performance and accomplishment of work targets. Employees of the Group are promoted in terms of positions, seniority, overall performance, as well as professional and administrative classification, with a clear career path. We implement comprehensive performance evaluations and well-directed training programs for all staff every year, in accordance with our business objective obligations and achievement of key objectives. Since the date of incorporation of the Company and as of December 31, 2021, the Group did not adopt any share option scheme.

8.3 Employee Benefits

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

8.4 Employee Training

The Group valued staff training and established a preliminary training system based on job competency. In order to encourage the staff to study and upgrade themselves and cultivate and establish a team of professional and highly efficient talents, the Group adopted a people-oriented approach to provide trainings based on actual needs, and organized various training sessions on operating management and professional skills based on the principle of classified management, covering employees of all levels from front-line staff to senior management. The Group also implemented the plan for the cultivation of cadres and young talents.

9. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

9.1 Contingent Liabilities

As of December 31, 2021, the Group did not have any material contingent liabilities.

9.2 Capital Commitments and Credit Commitments

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

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

Notes:

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

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

10. USE OF NET PROCEEDS FROM THE GLOBAL OFFERING

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

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

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

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

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

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

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

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

Use of proceeds	**Amounts expected to be utilized as disclosed in the Prospectus** *(RMB in million)*	**Utilized amount** *(RMB in million)*	**Unutilized amount** *(RMB in million)*	**Expected time of use**
Expand our business operations	284.0	284.0	–	N/A
Improve our information systems	40.6	18.0	22.6	To be gradually utilized until 2023
Recruit talents	40.6	40.6	–	N/A
Replenish working capital	40.6	40.6	–	N/A

11. BUSINESS OUTLOOK

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

OTHER INFORMATION

1 CORPORATE GOVERNANCE PRACTICES

The Company has adopted the CG Code as contained in Appendix 14 to the Listing Rules as its own code of corporate governance. The Company has committed to maintaining high standards of corporate governance in order to safeguard the interests of the Shareholders and enhance the corporate value and accountability of the Company.

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

2 DIRECTORS' AND SUPERVISORS' SECURITIES TRANSACTIONS

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

Having made specific enquiry with the Directors and Supervisors, they have confirmed their compliance with the relevant standards stipulated in the aforesaid code during the Reporting Period.

3 ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the Company (the "**AGM**") will be held on Friday, May 20, 2022, a notice of which will be published and despatched to the shareholders of the Company (the "**Shareholders**") in due course.

4 FINAL DIVIDEND

The Board has recommended the payment of a final dividend of RMB0.045 per share (tax inclusive) for the year ended December 31, 2022, totaling approximately RMB60 million, to the Shareholders whose names appear on the register of members of the Company on Monday, June 6, 2022. In principle, the payments will be made to holders of Domestic Shares in RMB and to holders of H Shares in HK$. The proposed final dividend is expected to be paid on or around Monday, July 18, 2022, subject to the Shareholders' approval at the forthcoming annual general meeting.

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 16, 2022 to Friday, May 20, 2022, both dates inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the forthcoming annual general meeting, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's headquarters and principal place of business in China at Floor 6, Suite 7, Courtyard 2, No. 1 West Third Ring North Road, Haidian District, Beijing, the PRC (for holders of domestic shares) or the Company's H share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for holders of H shares) not later than 4:30 p.m. on Friday, May 13, 2022, for registration.

For determining the entitlement to the proposed final dividend, subject to approval by the Shareholders at the forthcoming annual general meeting, the register of members of the Company will be closed from Monday, May 30, 2022 to Monday, June 6, 2022, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's headquarters and principal place of business in China at Floor 6, Suite 7, Courtyard 2, No. 1 West Third Ring North Road, Haidian District, Beijing, the PRC (for holders of domestic shares) or the Company's H share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for holders of H shares) not later than 4:30 p.m. on Friday, May 27, 2022, for registration.

6 AUDIT COMMITTEE

The Company has established the audit committee of the Company (the "**Audit Committee**") in accordance with Rule 3.21 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. DU Yunchao, non-executive Directors. The Audit Committee is chaired by Mr. WU Tak Lung who has a professional qualification in accountancy as required by the Listing Rules.

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

There were no significant events after the year ended 31 December 2021 and up to the date of this announcement.

8 MATERIAL LEGAL, LITIGATION AND ARBITRATION MATTERS

As at the end of the Reporting Period, the Company has no pending litigation as defendant.

9 PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the Reporting Period, the Company have not purchased, sold, or redeemed any of the Company's listed securities.

10 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 2021 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 18, 2022

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, Mr. ZHANG Shuqing and Mr. DU Yunchao as non-executive directors, and Mr. CHENG Dongyue, Mr. Wu Tak Lung and Ms. LIN Zhen as independent non-executive directors.