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

2022
ANNUAL REPORT

Contents

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

Corporate Information

BOARD OF DIRECTORS

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

Executive Directors
Mr. HE Rongfeng *(General manager)*
Mr. HUANG Wen

Independent Non-executive Directors
Mr. CHENG Dongyue
Mr. WU Tak Lung
Ms. LIN Zhen

BOARD OF SUPERVISORS

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

COMPANY SECRETARY

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

AUTHORISED REPRESENTATIVES UNDER THE LISTING RULES

Mr. HE Rongfeng
Mr. HUANG Wen

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

RISK CONTROL COMMITTEE

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

REGISTERED OFFICE

610, 6/F, Block A
No. 2 Lizezhong 2nd Road
Chaoyang District, Beijing
the PRC

Corporate Information

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN CHINA

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL BANKS

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

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

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

AUDITOR

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

LEGAL ADVISOR

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

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

H SHARE REGISTRAR

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

STOCK CODE

1601

WEBSITE

www.zgclease.com

Corporate Profile

Zhongguancun Science-Tech Leasing Co., Ltd., established in Beijing in November 2012, is a listed platform under the ZGC Group. The Company is a pioneer in serving science and technology innovation enterprises in PRC, and is dedicated to "discovering and cultivating unicorn companies to help science and technology entrepreneurs achieve their dreams". We focus on providing finance lease, investment and industry and finance integration solutions for the domestic science and technology innovation enterprises of high growth. On January 21, 2020, the Company was listed on the Hong Kong Stock Exchange Main Board.

In the past decade since its establishment, the Company has been adhering to its initial aspiration and mission, upholding reform and innovation, and pursuing progress while ensuring stability. We built up our "credit and value discovery" core capability and invented the "Zhongguancun Science-Tech Leasing development model". We took the lead in building the credit and value discovery system for science and technology innovation enterprises, and successfully addressed the financing difficulty of many science and technology innovation enterprises; we actively explored the leasing-based equity investment business model, and established the risk-return balance mechanism to help science and technology innovation enterprises obtain financial support. We established the "customer first" mindset in service, stand by the value orientation of advocating professionalism, and break new ground by upholding our principles while promoting innovation with a heart of reverence.

Based on the Company's insights into artificial intelligence, carbon peaking & carbon neutrality, medicine & healthcare, intelligent manufacturing and consumption upgrade industries, we distilled the growth driving factors of science and technology innovation enterprises. We proposed a "growth secures safety" mindset in credit, and created a credit rating model of science and technology innovation enterprise growth potential, and identified a large number of science and technology innovation enterprises with high growth potential but have not been covered by traditional financial institutions. Based on an in-depth understanding of the growth characteristics and needs of science and technology innovation enterprises, we launched a series of innovative products such as "intellectual property lease, sales lease and service lease" to help these enterprises build their first corporate credit record from scratch. We also built connections extensively with venture capital firms, guarantee companies, banks, governments and other entities to jointly enhance the value of science and technology innovation enterprises through a series of value-added services such as management consulting, policy consulting and themed training.

Corporate Profile

Focusing on the financial service needs of science and technology innovation enterprises at all stages of their growth, we launched the innovative leasing-based equity investment business model to lower enterprises' financing costs to avoid excessive equity dilution in the early stage on the one hand, and effectively combine debt and equity returns on the other, reaching beyond the profit boundary of traditional financial institutions. In 2019, we initiated and established the first leasing-based equity investment fund of close to RMB200 million with investment in 16 projects. In 2022, we introduced the insurance funds, and initiated and established the leasing-based equity investment Fund II with a size of RMB500 million.

By December 31, 2022, we had provided financing services for more than 1,700 science and technology innovation enterprises with an aggregate financing capital of over RMB37 billion.

Looking ahead, we will continue to deepen the unique advantages of leasing-based equity investment, actively explore the service scenarios of industry and finance integration, realize the in-depth integration of technology and finance, and serve the high-quality development of the real economy.

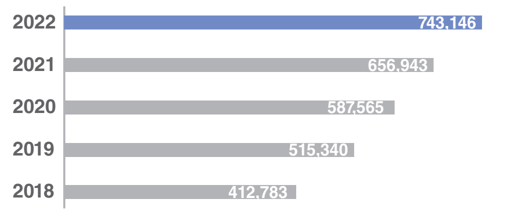
Key Financials

For the year ended December 31, 2022

2022

Total revenue
(RMB'000)

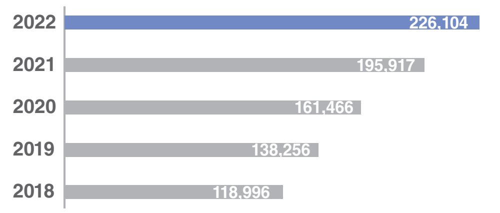
743,146



For the twelve months ended 31 December

Net profit
(RMB'000)

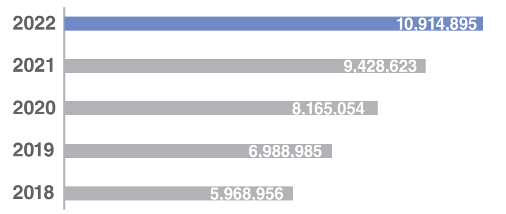
226,104



For the twelve months ended 31 December

Total assets
(RMB'000)

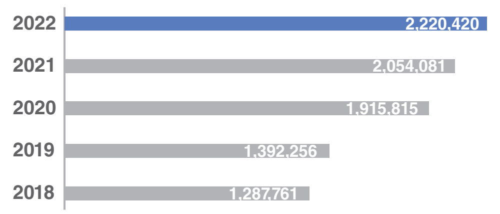
10,914,895



For the twelve months ended 31 December

Total equity
(RMB'000)

2,220,420



For the twelve months ended 31 December

Liability to asset ratio
For the twelve months ended 31 December

2021	2022
78.2%	**79.7%**

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

2021	2022
1.54	**1.67**

Basic and diluted Earnings per Share (RMB) For the year ended December 31	Return on average equity For the twelve months ended 31 December	Return on average assets For the twelve months ended 31 December
0.17	**10.6%**	**2.2%**

Net profit margin For the twelve months ended 31 December	Net interest margin For the twelve months ended 31 December	Net interest spread For the twelve months ended 31 December
30.4%	**3.7%**	**2.6%**

Chairman's Statement

Dear Shareholders,

The year 2022 was a milestone in the history of China and the Chinese Communist Party, an important year for China to embark on a new journey towards the second centenary goal. The 20th National Congress of the Communist Party of China was a success, at which a grand blueprint for building a modern socialist country in all respects and advancing the great rejuvenation of the Chinese nation on all fronts was mapped out. It pointed the way forward and provided us with fundamental guidance for carrying out our work. We responded calmly to changes and a pandemic of an magnitude not seen in a century, created a new development pattern, took new steps and achieved new progress in high-quality development. In 2022, China's annual GDP growth rate reached 3% and China's economic output exceeded RMB120 trillion, becoming a star in the gloomy world economy.

2022 is the tenth year of the Company's development. In the past ten years, the Company experienced ups and downs and kept forging ahead. As a pioneer in serving science and technology innovation enterprises in the financial leasing industry, the Company adheres to the purpose of financial services for the real economy, grasps the construction of "two districts" in Beijing and the new round of pilot reform opportunities in Zhongguancun, integrates the development of science and technology finance into the overall situation of Chinese path to modernization, and effectively coordinates high-quality financial development and risk prevention and control, which has become a banner of financial support for science and technological innovation in China.

Over the past ten years, the Company has established a credit and value discovery system, optimized and innovated the product and service systems, and concentrated on providing high-quality and efficient financial leasing services for science and technology innovation enterprises. By the end of 2022, the Company had provided financial leasing services for more than 1,700 science and technology innovation enterprises with an aggregate financing capital of more than RMB37 billion.

Over the past ten years, the Company has stood together through thick and thin and grew with science and technology innovation enterprises. We explored the leasing-based equity investment business model, and built up the initial framework of the "risk-benefit" balance mechanism to help science and technology innovation enterprises obtain financial support. By the end of 2022, the Company had established two leasing-based equity investment funds with an aggregate size of RMB700 million, and actively explored the value realization methods of financial services for the science and technology innovation field.

Chairman's Statement

Over the past ten years, the Company has stood by the "value orientation of advocating professionalism". We built up our understanding of relations between technological reforms, corporate development, risk characteristics, entrepreneurship and financial innovation on our professional capabilities. We broke through the fog, upheld our principles while promoting innovation and explored the innovation development paths for science and technology leasing.

Over the past ten years, the Company has adhered to the "customer first service mindset". Based on the financial leasing business and by mobilizing its practical experience, professional capabilities and rich resources, the Company built connections extensively with investment institutions, guarantee companies, banks, governments and other entities to jointly develop and prosper and strive ahead to enhance the value of science and technology innovation enterprises.

The past is a prelude to the future. 2023 is the starting year of the Company's second decade, a promising starting point, and a key to the Company's implementation of the "14th Five Year Plan" for strategic transformation. Aiming to become a value cultivator and financial service partner of the science and technology innovation industry in China, the Company is dedicated to "discovering and cultivating unicorn companies to help science and technology entrepreneurs achieve their dreams" and mobilize industry and finance integration and regional growth, backed by standardized development and digital operations, to push ahead with strategic transformation, achieve high-quality development and bring more value to shareholders, customers and all sectors of society!

Chairman of the Board

ZHANG Shuqing
March 17, 2023

General Manager's Statement

Dear Shareholders,

2022 was an extraordinary year in the Company's development history and a year for the Company to strive ahead. Faced with the grim situation where the domestic COVID-19 condition was complex and volatile, the real economy was gloomy, real estate enterprises and financing platforms of local governments faced frequent debt risks, the Company adhered to the underlying principles of reform and innovation and pursuing progress while ensuring stability, and responded actively and calmly to risks and challenges. New progress has been made in various business operations with new highlights, bringing satisfaction to the 10th anniversary of the Company's establishment.

In 2022, with the concerted efforts of all staff members, the operating efficiency of the Company increased significantly: the new financial leasing business investment was RMB7.42 billion; the total assets exceeded RMB10 billion for the first time; the net profit was nearly RMB230 million; ROE was 10.6%; non-performing asset ratio was 1.6%; and the provision coverage rate was 173.7%.

We made breakthroughs in regional growth strategies. In 2022, the Company took solid steps in regional growth strategies. The Company successfully established three regional joint-stock companies in Shenzhen, Hangzhou and Suzhou, investing nearly RMB750 million in the financial leasing business, helping the Company rapidly expand its customer base and tap into more science and technology innovation enterprise customers of high growth.

We continued to innovate the operation model of intellectual property transfer. In 2022, the Company gave investment to 140 intellectual property projects, with an investment amount of more than RMB1.06 billion. With intellectual property financing, the Company bridged the "last mile" gap between science and technology innovation enterprises and capital market financing. At the same time, two special plans for intellectual property asset support were successfully issued, providing new solutions for intellectual property financing.

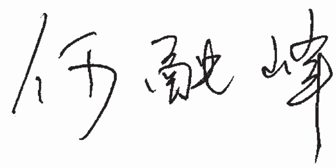
The leasing-based equity investment advantages were deepened continuously. In 2022, our annual delivery amount of the leasing-based equity investment fund exceeded RMB68 million, with a 2.08 times ROI in one project exit. At the same time, we introduced the innovative insurance funds and established Fund II with a subscribed amount of RMB500 million. We realized closed-loop operation of the share option operations. 135 new share option projects were signed in the whole year and the share option transfer contributed RMB500 thousand to the Company's profit.

General Manager's Statement

We further strengthened the risk control and compliance system. In 2022, the Company further distilled the growth driving factors of science and technology innovation enterprises and improved the credit and value discovery ability; continued to strengthen the comprehensive risk management system establishment as well as risk scanning for early warning and forward-looking risk resolution; improved the overdue decision-making and collection mechanism and achieved marked results in major project collection; and established the quality management and business standardization system which got ISO9001 certified within the year.

2022 is the Company's 10th anniversary. As we navigated through external environment changes, we gained a macro thinking and long-term mindset that helps us perceive development trends from small clues and think beyond cycles, reevaluate during change, return to the business nature according to the law of financial development, and explore new ways to help science and technology innovation enterprises obtain financial support. In 2023, the Company will continue to adhere to the values of "innovation and expertise, with health, love and dream" and commitment to "discovering and cultivating unicorn companies to help science and technology entrepreneurs achieve their dreams", and actively explore business scenarios of industry and finance integration with the guidance of industrial operation and technology finance. We will grow scale, optimize quality, raise efficiency and strengthen expertise to reach the upstream and downstream participants of the technology industry and realize in-depth integration of the technology industry and finance.

General Manager



HE Rongfeng
March 17,2023

Profile of Directors, Supervisors and Senior Management

DIRECTORS

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

Name	Age	Position	Date of First Appointment as Director
Non-executive Directors			
Mr. ZHANG Shuqing	49	Chairman and non-executive Director	August 13, 2019
Mr. LOU Yixiang	47	Non-executive Director	August 13, 2019
Mr. DU Yunchao	52	Non-executive Director	May 28, 2021
Ms. WANG Sujuan	39	Non-executive Director	January 19, 2023, and her term of office shall be effective from the date of approval of her director's qualification of the Beijing Municipal Bureau of Local Financial Regulation and Supervision
Executive Directors			
Mr. HE Rongfeng	55	Executive Director and general manager	August 13, 2019
Mr. HUANG Wen	48	Executive Director, deputy general manager, board secretary and head of finance team	August 13, 2019
Independent Non-executive Directors			
Mr. CHENG Dongyue	63	Independent non-executive Director	September 20, 2019
Mr. WU Tak Lung	57	Independent non-executive Director	August 29, 2019
Ms. LIN Zhen	39	Independent non-executive Director	August 29, 2019

Profile of Directors, Supervisors and Senior Management

Non-executive Directors

Mr. ZHANG Shuqing (張書清), aged 49, is the chairman of the Board and non-executive Director. Since April 2020, Mr. Zhang has successively served as the executive vice general manager and general manager of ZGC Finance. Mr. Zhang has served in several positions at ZGC Group, since April 2012. Mr. Zhang served as the vice general manager (presiding) and executive vice manager of the technology finance department of ZGC Group from June 2018 to December 2021, primarily responsible for overall management of the department. Prior to that, Mr. Zhang served as the manager of the innovation service division under the technology finance department of ZGC Group from July 2014 to June 2018, and served as the director of the financial services department of ZGC Group from April 2012 to July 2014. Mr. Zhang has also served as a director of several of ZGC Group's subsidiaries, including Beijing Zhongguancun Technology Financing Guarantee Co., Ltd. (北京中關村科技融資擔保有限公司) since May 2014, Zhongguancun VC Development Center (北京中關村創業投資發展有限公司) since February 2016 and he has been serving as chairman of the board and general manager of Beijing Qiyuan Capital Market Development Service Co., Ltd. (北京啟元資本市場發展服務有限公司) since June 2018, primarily responsible for overall operation and management of the company.

From January 2010 to May 2012, he was a postdoctoral research fellow at the mobile station of postdoctoral scientific researchers at Tsinghua University School of Public Policy and Management (清華大學公共管理博士後科研流動站). Mr. Zhang obtained a master of laws degree and doctor of laws degree from Southwest University of Political Science and Law (西南政法大學) in June 2006 and January 2010, respectively. He obtained the legal professional qualification certificate granted by the Ministry of Justice in February 2006.

Profile of Directors, Supervisors and Senior Management

Mr. LOU Yixiang (婁毅翔), aged 47, the non-executive Director. Mr. Lou has served as the deputy general manager of ZGC Group and served as the director of the capital operation department of ZGC Group from June 2021 to March 2023 and successively served as a vice director (presiding) and director of the strategy management department (previously known as strategy development department) of ZGC Group from April 2015 to June 2021, primarily responsible for corporate strategies development. From July 2003 to May 2015, he served in several positions in local government institutions including a vice director of the integration office of national economy in Beijing Municipal Commission of Development and Reform and principal staff member (主任科員) of the general office under the research department of Beijing municipal government. Mr. Lou has also served as a director of several subsidiaries and associated companies of ZGC Group including the chairman of Beijing Zhongguancun Science and Technology Industry Research Institute Co., Ltd. (北京中關村科技產業研究院有限公司) since January 2021, the director of Beijing Zhongguancun Science and Technology Service Co., Ltd. (北京中關村科技服務有限公司) since September 2020, the director of Beijing Industrial Design Institute Co., Ltd. (北京市工業設計研究院有限公司) since September 2019, and the director of Beijing Zhongguancun Technology Financing Guarantee Co., Ltd. (北京中關村科技融資擔保有限公司) since February 2019, He also served as a director of Beijing Zhongguancun Electronic City Construction Co., Ltd. (北京中關村電子城建設有限公司) from March 2018 to March 2022.

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

Mr. DU Yunchao (杜雲超), aged 52, the non-executive Director. Mr. DU has been serving as the director of the financial department of Beijing Chaoyang District Wangjing Xinxing Industry Zone Comprehensive Development Company (北京望京新興產業區綜合開發有限公司) since July 2017. Mr. Du served as the vice director of Chaoyang District of Beijing Municipal Audit Bureau (北京市朝陽區審計局) from December 2011 to July 2017. From December 2003 to December 2011, he successively served as a vice principal staff member, a principal staff member (主任科員) and a deputy director in planning and finance division of administration and finance department of Liaison Office of the Central People's Government in the Hong Kong Special Administrative Region (中央人民政府駐香港特別行政區聯絡辦公室). He served as a deputy section chief of the office of statistics and evaluation in the Chaoyang District of Beijing Municipal Finance Bureau (北京市朝陽區財政局) from January 2002 to December 2003. And he successively served as a staff member, a vice principal staff member and a deputy section chief of comprehensive department in Chaoyang District of Beijing Municipal Administration of State-owned Assets (北京市朝陽區國有資產管理局) from July 1993 to January 2002.

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

Profile of Directors, Supervisors and Senior Management

Ms. WANG Sujuan (王素娟), aged 39, Ms. Wang has successively served as vice general manager and general manager of strategic investment department of ZGC Finance since January 2021. From August 2018 to December 2020, she served as senior professional manager of technology finance department of ZGC Group. From July 2016 to August 2018, Ms. Wang was in charge of technology finance department at ZGC Group postdoctoral workstation (中關村發展集團博士後工作站). From August 2008 to August 2012, she successively worked as teller, financial advisor, business handler, corporate account manager and consumer credit account manager of Beijing Branch of China Construction Bank. Ms. Wang has also served as a director of several subsidiaries and associated companies of ZGC Group, including as the chairman of Shenzhen Deyuan Commercial Factoring Co., Ltd. (深圳德遠商業保理有限公司) since September 2022 and as a director of Beijing Linkchuang Precision Medical Health Industry Investment Co., Ltd. (北京領創精準醫療健康產業投資有限公司) since March 2019.

Ms. Wang received her bachelor of management degree, master of management degree and doctor of management degree from Beijing Institute of Technology (北京理工大學) in July 2006, July 2008 and July 2016 respectively.

Ms. Wang was elected as non-executive Director of the second session of the Board at the 2023 First Extraordinary General Meeting on January 19, 2023. Her director's qualification shall be reported to the Beijing Municipal Bureau of Local Financial Regulation and Supervision for approval, and her term of office shall be effective from the date of approval of the Beijing Municipal Bureau of Local Financial Regulation and Supervision to the date of expiry of the second session of the Board of Directors.

Executive Directors

Mr. HE Rongfeng (何融峰), aged 55, the executive Director and the general manager of the Company. Mr. He has around 15 years of experience in finance leasing and corporate management. He has been serving as a director of Beijing Zhongnuo Tongchuang Investment Fund Management Co., Ltd. (北京中諾同創投資基金管理有限公司) since April 2019, and as a director of Beijing Zhongguancun Synergetic Innovation Investment Fund Management Co., Ltd. (北京中關村協同創新投資基金管理有限公司) since July 2016. Prior to joining the Company, Mr. He served as the deputy general manager of China KangFu International Leasing Co., Ltd. (中國康富國際租賃股份有限公司), a company with the shares of which are quoted on National Equities Exchanges and Quotations with stock code of 833499, from March 2005 to January 2009. He then served as the general manager of China KangFu International Leasing Co., Ltd. From February 2009 to December 2012, responsible for the overall operation and management of the company.

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

Profile of Directors, Supervisors and Senior Management

Mr. HUANG Wen (黃 聞), aged 48, the executive Director, deputy general manager, the board secretary and head of finance team of the Company. Mr. Huang joined the Company in April 2013 as the general manager assistant, and then has been serving as a deputy general manager of the Company since December 2014. Mr. Huang has around 13 years of experience in corporate management. Prior to joining the Company, Mr. Huang served as the general manager of Beijing region of Ping An Pratt & Whitney Finance Guarantee Co., Ltd. (平安普惠融資擔保有限公司, previously known as Fudeng Investment Credit Guarantee Co., Ltd. (富登投資信用擔保有限公司)) from August 2011 to January 2013. He served as a deputy general manager in Tianjin Bohai Finance Guarantee Co., Ltd. (天津渤海融資擔保有限公司) from June 2010 to July 2011. Mr. Huang served as the vice president of Zhongyuan Guoxin Credit Guaranty Co., Ltd. (中元國信信用擔保有限公司) from January 2009 to January 2010, prior to which he served as the deputy manager of its guarantee department from September 2004 to September 2006.

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

Independent Non-executive Directors

Mr. CHENG Dongyue (程 東 躍), aged 63, the independent non-executive Director. Mr. Cheng has extensive working experience in finance lease industry. He has been serving as the chairman of Finance Leasing Research Center of Zhejiang University (School of economics, Institute of Finance) (浙江大學(經濟學院、金融研究院)融資租賃研究中心) since March 2017. He served as the chairman of the board and general manager of Guangzhou Yuexiu Finance Leasing Co., Ltd. (廣州越秀融資租賃有限公司) from May 2012 to June 2015, primarily responsible for overall management of the company, and during the same period, he also served as a deputy general manager of Guangzhou Yuexiu Finance Holding Co., Ltd. (廣州越秀金融控股集團有限公司), primarily responsible for finance leasing business. He served as the general manager of Bank of Communications Finance Leasing Co., Ltd. (交銀金融租賃有限責任公司) from December 2007 to July 2010, primarily responsible for overall management of the company.

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

Profile of Directors, Supervisors and Senior Management

Mr. WU Tak Lung (吳德龍), aged 57, the independent non-executive director of the Company currently. Mr. Wu has served as an independent non-executive director of each of the following companies listed on the Stock Exchange: (1) Minth Group Limited (stock code: 0425), (2) Kam Hing International Holdings Limited (stock code: 2307), (3) Sinopharm Group Co., Ltd. (stock code: 1099), (4) Henan Jinma Energy Company Limited (stock code: 6885) and (5) Sinomax Group Limited (stock code: 1418).

Save as disclosed above, Mr. Wu was an independent non-executive director of (1) China Machinery Engineering Corporation and (2) Beijing Media Corporation Limited (a company listed on the Main Board of the Stock Exchange with stock code of 1000). Certain members and former members of the board of Beijing Media Corporation Limited have been criticized, details of which in respect of Mr. Wu are set out in the Company's announcement dated 15 February 2022.

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

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

Ms. LIN Zhen (林禎), aged 39, the independent non-executive director of the Company currently. Ms. Lin has been a partner at the Shanghai office of Grandall Law Firm (國浩律師事務所) since June 2012, responsible for providing professional legal services mainly with respect to corporate and securities law. Prior to that, she successively served as a legal assistant and a lawyer at Grandall Law Firm since July 2005.

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

Profile of Directors, Supervisors and Senior Management

SUPERVISORS

The following table sets forth information regarding the Supervisors.

Name	Age	Position	Date of First Appointment as Supervisor
Mr. ZHANG Jian	52	Chairman of the board of Supervisors	August 13, 2019
Mr. TIAN Anping	44	Supervisor	August 13, 2019
Mr. FANG Fang	42	Supervisor	August 13, 2019
Mr. DU Xiaoming	44	Supervisor	January 19, 2023 and his term of office shall be effective from the date of approval of her supervisor's qualification of the Beijing Municipal Bureau of Local Financial Regulation and Supervision
Mr. TONG Chao	45	Supervisor	August 13, 2019
Ms. ZHOU Di	45	Supervisor	August 13, 2019
Ms. HAN Nana	41	Supervisor	August 13, 2019

Mr. ZHANG Jian (張 健), aged 52, chairman of the Board of Supervisors of the Company. Mr. Zhang has been the director of ZGC Group office since June 2021, prior to which he served as the vice director (presiding) and director of the capital operation department of ZGC Group from November 2012 to June 2021. Mr. Zhang has also served in several of ZGC Group's subsidiaries, including as the chairman of the Board of Directors of Zhongguancun Summit Enviro-protection Co., Ltd. (中關村至臻環保股份有限公司), a company with the shares of which are quoted on National Equities Exchanges and Quotations with stock code of 835461, since July 2020, as a director of Beijing Shichuang High-tech Development Co., Ltd. (北京實創高科技發展有限責任公司) since January 2018, as a director of Beijing Oriental International Culture Industry Fund Management Co., Ltd. (北京東方國際文化產業基金管理有限公司) from October 2017 to September 2019 and as a director of China Beijing Equity Exchange Group Co., Ltd. (北京產權交易所有限公司) from April 2017 to September 2019. Prior to joining ZGC Group, he served in several positions at Bozheng Capital Investment Co., Ltd. (博正資本投資有限公司) from March 2011 to August 2012, including the vice president and senior vice president (presiding) of the business department and vice general manager. From January 2005 to February 2011, he served as the vice general manager of the assets management department and the board secretary of Cernet Corporation (賽爾網絡有限公司).

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

Mr. TIAN Anping (田安平), aged 44, is currently the shareholder representative supervisor of the Company. Mr. Tian has served as manager of the audit department of Beijing Chaoyang State Owned Capital Operation Management Company Limited (北京朝陽國有資本運營管理有限公司) since January 2022, primarily responsible for internal audit. From August 2011 to December 2021, he successively served in Beijing Chaoyang State Owned Capital Operation Management Company Limited as vice director of general matter office and principal of Communist Party of China ("CPC") related affairs, and the director of the Party-masses work department, primarily responsible for CPC-related affairs. From December 2017 to August 2019, Mr. Tian served as a director of the Company. From September 2001 to August 2011, he served in Beijing Jinchaoyang Commerce & Trade State-owned Asset Operation Company (北京金朝陽商貿國有資本運營公司), primarily responsible for corporate administrative management.

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

Mr. FANG Fang (方放), aged 42, is currently the shareholder representative supervisor of the Company. Mr. Fang has been serving in several positions in Nanshan Capital since July 2016 and currently is a director and the general manager of Nanshan Capital, primarily responsible for overall operation and management. He served as a director of Zhuhai Hengqin Nanshan Kaiyuan Assets Management Co., Ltd. (珠海橫琴南山開源資產管理有限公司) from October 2017 to September 2020. Prior to joining Nanshan Capital, Mr. Fang served at Ministry of Foreign Affairs of the PRC from August 2004 to July 2016, primarily responsible for financial matters.

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

Profile of Directors, Supervisors and Senior Management

Mr. DU Xiaoming (杜曉明), aged 44. Mr. Du is currently the deputy chief accountant, the general manager of the finance and capital department (financial capital department) and the chief financial officer of Beijing branch of China Urban and Rural Holding Group Co., Ltd. (中國城鄉控股集團有限公司). Prior to this, Mr. Du worked in the First Engineering Company of First Highway Engineering Bureau (第一公路工程局第一工程公司), CCCC Road&Bridge North China Engineering Co., Ltd. (中交路橋華北工程有限公司) and CCCC Investment Co., Ltd. (中交投資有限公司) from August 2002 to October 2012. From October 2012 to April 2018, he served as general manager of finance department and director of sharing center of CCCC Infrastructure Maintenance Group Co., Ltd. (中交基礎設施養護集團有限公司). From May 2018 to August 2020, he served as the General Manager of the finance and capital department (financial management department) of China Urban and Rural Holding Group Co., Ltd. and the Chief Financial Officer of Beijing Branch. From September 2020 to August 2022, he served as the director, chief financial officer and senior vice president of Beijing OriginWater Technology Co., Ltd. (a company listed on Shenzhen Stock Exchange with stock code of 300070).

Mr. Du graduated from Changsha University of Science & Technology (長沙理工大學), and obtained a bachelor's degree in management in June 2002 and master's degree in in business administration in June 2012 respectively.

Mr. DU was elected as shareholder representative supervisors of the second session of the Board of Supervisors at the 2023 First Extraordinary General Meeting on January 19, 2023. His supervisor's qualification shall be reported to the Beijing Municipal Bureau of Local Financial Regulation and Supervision for approval, and his term of office shall be effective from the date of approval of the Beijing Municipal Bureau of Local Financial Regulation and Supervision to the date of expiry of the second session of the Board of Supervisors.

Mr. TONG Chao (佟超), aged 45, is currently the employee representative supervisor of the Company. Since joining the Company in April 2013, Mr. Tong successively served as the general manager of the leasing department, risk management department, information technology department and innovation business department and he was promoted to serve as a chief expert of the Company in January 2018. Prior to joining the Company, Mr. Tong served as the general manager of the leasing department of Huayuan Leasing Co., Ltd. (華遠租賃有限公司) from October 2011 to April 2013. He served as a regional manager of the education sector of Far East International Leasing Co., Ltd. (遠東國際租賃有限公司) from October 2009 to April 2011, primarily responsible for finance leasing business in Inner Mongolia. He served at the Beijing branch of Citibank from September 2008 to July 2009, and successively served as a clerk and business manager at the Shenyang branch of China Merchants Bank from September 2000 to July 2006.

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

Ms. ZHOU Di (周 迪), aged 45, is currently the employee representative supervisor of the Company. Ms. Zhou joined the Company in April 2013. She has been the vice director of the legal affairs team of the Company since April 2020 and chairman of Zhongguancun Huizhi (Suzhou) Enterprise Management Co., Ltd. (中關村匯志(蘇州)企業管理有限公司) since November 2022, prior to which, Ms. Zhou served as the vice director of the assets management team from January 2018, the director assistant of the assets management team from June 2016 and as the legal manager of the assets management team from April 2013, primarily responsible for legal affairs and assets disposal. Prior to joining the Company, Ms. Zhou was an attorney at Shaanxi Rongde Law Firm (陝西融德律師事務所) from January 2009 to January 2013.

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

Ms. HAN Nana (韓娜娜) (with former name HAN Lina (韓麗娜)), aged 41, is currently the employee representative supervisor of the Company. Since joining the Company in March 2018, Ms. Han has been serving as a vice director of Party-masses work team of the Company. Prior to joining the Company, from August 2005 to March 2018, Ms. Han served in several positions in Aerospace Long March Launch Vehicle Technology Co., Ltd. (航天長征火箭技術有限公司), including an assistant and a deputy division chief (presiding) of the corporate culture division at the Party-masses work department.

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

Profile of Directors, Supervisors and Senior Management

SENIOR MANAGEMENT

Saved as the Directors disclosed above, the following table sets forth information regarding the senior management of the Company.

Name	Age	Position	Time of joining the Company
Mr. DOU Jiyan	44	Deputy general manager	April 30, 2013
Ms. YANG Pengyan	46	Deputy general manager	April 30, 2013
Mr. LIU Shouquan	41	General manager assistant	November 1, 2013
Mr. LIANG Jingji	46	General manager assistant and head of risk management team	April 30, 2013
Mr. XU Junhua	59	Chief economist	June 1, 2021
Mr. GAO Wei	57	Company secretary	June 17, 2019

Mr. DOU Jiyan (竇繼岩), aged 44, deputy general manager of the Company. Mr. Dou joined the Company in April 2013 and served as the director of the risk management team of the Company until December 2014. Then he served as a general manager assistant of the Company from December 2014. Mr. Dou was promoted and has been serving as a deputy general manager since October 2017. Mr. Dou has been serving as the chairman of Beijing Zhongnuo Tongchuang Investment Fund Management Co., Ltd. (北京中諾同創投資基金管理有限公司) since April 2019. Prior to joining the Company, Mr. Dou served as a senior manager of the marketing department of Doushan (China) Financial Leasing Co., Ltd. (鬥山(中國)融資租賃有限公司) from September 2007 to May 2013.

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

Profile of Directors, Supervisors and Senior Management

Ms. YANG Pengyan (楊鵬艷), aged 46, deputy general manager and primarily responsible for innovation division team, marketing team and digital information team. Ms. Yang joined the Company in April 2013 as a vice director of the business development department of the Company. In December 2014, she was promoted to serve as the director of strategy development team of the Company. Ms. Yang was further promoted to and she has been serving as a deputy general manager of the Company since September 2017. Prior to joining the Company, Ms. Yang served as the head of the planning and development department of ZGC Group from January 2012 to April 2013. From August 2010 to March 2011, she temporarily served as a president assistant in the insurance and non-banking service department of Beijing Financial Work Bureau (北京市金融局保險與非銀服務處) for training purpose. From March 2009 to May 2012, she was a postdoctoral fellow majoring in applied economics at Peking University (北京大學).

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

Mr. LIU Shouquan (劉守泉), aged 41, general manager assistant of the Company. Mr. Liu joined the Company in November 2013 as a senior manager of the leasing team of the Company and served in that position until December 2014. From December 2014 to January 2018, he successively served as the vice director and the director of the leasing team, and he has been serving as the general manager assistant of the Company since January 2018. Prior to joining the Company, Mr. Liu served as the general manager assistant in Beijing Kaiyuan Finance Leasing Co., Ltd. (北京開元融資租賃有限公司) from April 2012 to October 2013. He served in Zhongdan Investment Credit Assurance Co., Ltd. (中擔投資信用擔保有限公司) from September 2009 to February 2012, primarily responsible for guarantee business. He served in Beijing Hyundai Motor Company (北京現代汽車有限公司) from August 2003 to July 2006.

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

Profile of Directors, Supervisors and Senior Management

Mr. LIANG Jingji (梁經基), aged 46, general manager assistant and head of risk management team of the Company and responsible for operation of project reviews, assets management team, risk management team and audit team of the Company. Mr. Liang has been serving as the director of the assets management team of the Company since joining the Company in April 2013. He has also been serving as a chief expert and general manager assistant since January 2018 and January 2019, respectively. Prior to joining the Company, Mr. Liang served as the general counsel of China KangFu International Leasing Co., Ltd. (中國康富國際租賃有限公司), a company whose shares are quoted on National Equities Exchanges and Quotations (stock code: 833499), from September 2007 to April 2013, primarily responsible for legal affairs.

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

Mr. XU Junhua (許均華), aged 59, chief economist and senior economist and responsible for the operation of the strategy development team and the general office of the Company since joining the Company in June 2022. Mr. Xu has been working in banking, securities, trust and other financial work for a long time, and he also serves as an industry tutor of PBC School of Finance, Tsinghua University (清華大學五道口金融學院), School of Finance of Central University of Finance (中央財經大學金融學院) and Economics and Beijing National Accounting Institute (北京國家會計學院). Prior to joining the Company, Mr. Xu served as the vice president of China Overseas Holding Group from September 2018 to May 2022; the chief financial strategy expert of ZGC Group from August 2016 to August 2018; the chairman of Beijing Hongru Financial Education Foundation (北京鴻儒金融教育基金會) from May 2015 to October 2018; the president of National Modern Financial Holdings Co., Ltd. (全國現代金融控股有限公司) from August 2011 to May 2015; and the chief economist of ZhongCheng Trust Co., Ltd. (中誠信託有限責任公司) from August 1995 to August 2011. In August 1992, he participated in the establishment of China Southern Securities Co., Ltd. (南方證券股份有限公司) and successively served as the general manager and office director of research and consulting department, general manager of Nanjing Branch, general manager of investment banking business headquarters, director of Research Institute, president assistant and vice president. In June 1987, he joined the head office of Agricultural Bank of China (中國農業銀行) and successively served as a leader of the industrial credit department and a vice director level researcher of the research office.

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

Mr. GAO Wei (高偉), aged 57, is the company secretary of the Company. Mr. Gao has extensive experience in corporate financing and managing overseas-listed companies. He is now one of the council members of The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries) and he serves as its vice president. Mr. Gao now served as an independent director of Guolian Securities Co., Ltd. (國聯證券股份有限公司, a company listed on Stock Exchange and Shanghai Stock Exchange with stock code of 1456 and 601456). He served as one of the vice chairmen of the board secretary committee of China Association for Public Companies (中國上市公司協會) from November 2015 to November 2018. He served as a director of Sinotrans Air Transportation Development Co., Ltd. (中外運空運發展股份有限公司, a company previously listed on Shanghai Stock Exchange with the stock code of 600270) from November 2011 to June 2019 and the general manager of the company from January 2016 to June 2019, primarily responsible for overall operation and management, and he served as the legal representative of the company from January 2017 to August 2019. He served as the board secretary and company secretary of Sinotrans Limited (中國外運股份有限公司), a company listed on the Stock Exchange with the stock code of 0598) from January 2003 to December 2016, primarily responsible for secretarial work; he served as the general counsel of Sinotrans Limited from January 2010 to June 2019, primarily responsible for legal affairs. He served as the board secretary and head of finance team of the Company from June 2019 to February 2021, and he has been the company secretary of the Company since June 2019.

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

	For the year ended December 31,				
	2022	2021	2020	2019	2018
	RMB' 000	RMB'000	RMB'000	RMB'000	RMB'000
Operating Performance					
Revenue	**743,146**	656,943	587,565	515,340	412,783
Interest income	**613,397**	541,367	480,944	420,698	340,571
Advisory fee income	**129,749**	115,576	106,621	94,642	72,212
Other net income	**15,342**	14,423	19,079	18,759	16,331
Interest expense	**(272,493)**	(246,545)	(232,839)	(220,978)	(168,012)
Operating expense	**(150,560)**	(129,407)	(116,141)	(100,190)	(74,854)
Impairment losses charged	**(49,580)**	(53,004)	(44,467)	(27,768)	(27,364)
Share of losses/(gains) of associates	**15,136**	19,391	(1,687)	(265)	–
Net foreign exchange gains/ (losses)	**109**	(175)	3,999	(12)	–
Profit before taxation	**301,100**	261,626	215,509	184,886	158,884
Net profit	**226,104**	195,917	161,466	138,256	118,996
Basic and diluted earnings per Share *(in RMB)*	**0.17**	0.15	0.12	0.14	0.12
Profitability					
Return on average equity [(1)]	**10.6%**	9.9%	9.8%	10.3%	9.6%
Return on average assets [(2)]	**2.2%**	2.2%	2.1%	2.1%	2.2%
Net interest margin [(3)]	**3.7%**	3.8%	3.6%	3.4%	3.6%
Net interest spread [(4)]	**2.6%**	2.6%	2.4%	2.2%	2.4%
Net profit margin [(5)]	**30.4%**	29.8%	27.5%	26.8%	28.8%

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,				
	2022	2021	2020	2019	2018
	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000
Assets and liabilities					
Total assets	**10,914,895**	9,428,623	8,165,054	6,988,985	5,968,956
Net amount of finance lease receivables	**9,819,652**	8,472,832	7,382,156	6,424,127	5,376,794
Total liabilities	**8,694,475**	7,374,542	6,249,239	5,596,729	4,681,195
Interest-bearing bank and other financing	**6,396,235**	5,371,076	4,153,046	4,158,382	3,319,747
Total equity	**2,220,420**	2,054,081	1,915,815	1,392,256	1,287,761
Net assets per share (in RMB)	**1.67**	1.54	1.44	1.39	1.29
Financial assets and liabilities(1)					
Financial assets	**11,614,974**	10,076,299	8,766,671	7,436,344	6,332,819
Financial liabilities	**8,593,416**	7,285,484	6,212,404	5,614,668	4,610,932
Financial Indicators					
Liability to asset ratio(2)	**79.7%**	78.2%	76.5%	80.1%	78.4%
Risk asset to equity ratio(3)	**460.6%**	426.4%	397.4%	480.9%	437.6%
Liquidity ratio (4)	**122.4%**	137.1%	104.0%	117.7%	112.2%
Gearing ratio (5)	**288.0%**	261.5%	216.8%	298.7%	257.8%
Interest-earning asset quality					
NPA ratio (6)	**1.6%**	1.5%	1.5%	1.3%	1.3%
Allowance coverage ratio for NPA (7)	**173.7%**	175.9%	163.2%	158.0%	151.2%

Notes:

(1) Calculated based on contractual undiscounted cash flows.

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

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

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

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

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

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

Management Discussion and Analysis

1. BUSINESS REVIEW

1.1 Economic Conditions

In terms of the aggregate economy, since 2022, despite intensified geopolitical conflicts, multiple COVID-19 hits, disrupted global supply chain, high commodity prices, rising inflationary pressures and complex and challenging global economic environment, China's economy recovered steadily and achieved an annual GDP growth rate of 3.0% thanks to its effective coordination of COVID-19 prevention and control and economic and social development and efforts to help economic operations return to normal, and ranked among the highest among major economies.

In terms of the financial environment, major economies released tightening signals and accelerated the pace of policy adjustment. Money market liquidity tends to tighten, emerging economies face high sovereign debt risk, and systemic financial risk rises. The People's Bank of China stepped up implementation of prudent monetary policy, gave full play to the dual functions of the total amount and structure of monetary policy tools, maintained reasonable and abundant liquidity, achieved a steady decline in comprehensive financing costs of enterprises, and guided financial institutions to increase support for small and micro enterprises, science and technology innovation, green development and other fields. The quality and efficiency of financial services to the real economy have been continuously improved.

In terms of the industry environment, as China's modernization enters a new stage and its economic transition comes to a critical period, science and technology innovation will become the main strategy for long-term development. With the implementation of various policies supporting science and technology innovation, the strategic advantage of science and technology innovation was gradually established in the top level design, the high-quality science and technology innovation industry will develop in full flourish, and the development of strategic emerging industries including intelligent manufacturing, digital economy, green and low-carbon development and high-end equipment is expected to accelerate.

Management Discussion and Analysis

In terms of the financial leasing industry environment, 2022 was the key period for the development of the financial leasing industry to enter the transformation and optimization stage. The release of the Regulation on Local Financial Supervision and Administration (draft for comments) by the People's Bank of China, the Off-site Supervision Procedures for Financial Leasing Companies by the China Banking and Insurance Regulatory Commission and other policies reflected the expectations and requirements of the state for the standardized development of the financial leasing industry. The financial leasing enterprises and industry "restore the initial functions of leasing and serve the real economy"; intelligent manufacturing, digital economy, green and low-carbon development, high-end equipment and other fields become important directions for industry transformation and optimization.

1.2 Company's Response

The Group has actively and calmly responded to various risk and challenges, overcame difficulties, and made new progress in various operations with new highlights. Our main measures are as follows:

We stood by our principles while promoting innovation, and broke new grounds in financial leasing. In 2022, the Group optimized its business planning to double down on intelligent manufacturing, carbon peaking & carbon neutrality, big data, artificial intelligence, industrial equipment and other industrial chains. The financial leasing investment reached new heights, with an annual investment of about RMB7.42 billion, representing a year-on-year increase of about 20.3%. At the same time, the Group put great effort into product innovation and continued to scale up intellectual property financing. The Group gave Investment to 140 projects in intellectual property financing during the year, with an investment amount of over RMB1.06 billion, accounting for 14.3% of the annual business investment.

We seized opportunities and made new breakthroughs in regional growth strategies. In 2022, the Company took solid steps in regional growth strategies. The Company successfully established three regional joint-stock companies in Shenzhen, Hangzhou and Suzhou, and formed the initial business expansion strategy and operation management process. With the support of the Company, all regional companies fully leveraged their regional local resources to build customer acquisition channels and invested nearly RMB750 million in the financial leasing business, helping the Company rapidly expand its customer base and tap into more science and technology innovation enterprise customers of high growth.

Management Discussion and Analysis

We have been deeply versed in the leasing-based equity investment and achieved new results. In 2022, the Company's leasing-based equity investment fund invested in 6 projects, with a delivery amount over RMB68 million and one project exit with a 2.08 times 2-year period ROI. At the same time, the Company introduced the innovative insurance funds and established Fund II with a subscribed amount of RMB500 million, reached a strategic partnership with Dajia Insurance, and integrated high-quality resources in the whole market to provide customers with one-stop customized services. The share option business began to take shape. 135 new share option projects were signed in the whole year, 152 share option pool projects were set up, and the first share option project transfer was completed, contributing RMB500 thousand to the Company's profit overall.

We reduced costs and increased efficiency, and raised our fund management ability to a new level. In 2022, the Group won a AA+ credit rating from CSCI Pengyuan Credit Rating Limited ("**CSCI Pengyuan**"), with a stable rating outlook and improved credit rating. Effort was put into managing the financing and usage of funds to reasonably match financing periods and control the comprehensive financing cost. Two special plans for intellectual property asset support (specialized, refined, differentiated and innovative) were successfully issued, with RMB198 million issued in total, providing powerful financial support tools for technological transformation of science and technology innovation enterprises while continuously innovating the Group's financing tools to reduce financing costs.

We boosted confidence and pooled strength, and achieved new results in brand building. The "Maker China" brand influence has improved. The Group has applied for and won the right to host the Themed Contest of the "Maker China" national contest for two consecutive years, and won the "Excellent Organization Award" issued by the Ministry of Industry and Information Technology, further improving the brand influence, integrating superior channel resources, and helping the Company gain customers. The 10th anniversary celebration tells the leasing story well. The Group aims to strengthen the corporate heritage, brand building and culture, communicate vision and mission and improve employees' sense of honor, gain and belonging through a series of 10th anniversary themed events.

2. ANALYSIS OF PROFIT OR LOSS

2.1 Overview

In 2022, adhering to the customer-oriented business model, the Group continued to focus on serving science and technology enterprises in the PRC with strong growth potential, and its operating performance increased steadily. In 2022, the Group realized a total revenue of RMB743.1 million, representing a 13.1% year-on-year growth, and the profit during the year increased to RMB226.1 million, representing a 15.4% year-on-year growth.

2.2 Revenue

The revenue of the Group increased by 13.1% from RMB656.9 million in 2021 to RMB743.1 million in 2022, and the interest income and advisory fee income recorded stable growth. In 2022, the Group realized an interest income of RMB613.4 million, accounting for 82.5% of the total revenue and representing a 13.3% year-on-year growth. Advisory fee income increased by 12.3% to RMB129.7 million in 2022.

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,				
	2022		2021		
	RMB'000	% of total	RMB'000	% of total	Changes
Interest income	613,397	82.5%	541,367	82.4%	13.3%
Advisory fee income	129,749	17.5%	115,576	17.6%	12.3%
Total revenue	743,146	100.0%	656,943	100.0%	13.1%

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 2022, the Group continued to cultivate technology and new economy industries, and optimize the asset structure. In 2022, the revenue of intelligent manufacturing increased by 47.8% compared with the last year.

Management Discussion and Analysis

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

	For the year ended December 31,				
	2022		2021		
	RMB'000	% of total	RMB'000	% of total	Changes
Eco-solutions	207,724	27.9%	203,402	31.0%	2.1%
Intelligent manufacturing	175,185	23.6%	118,556	18.0%	47.8%
Life sciences & healthcare	159,581	21.5%	146,047	22.2%	9.3%
Internet-based products & services	101,590	13.7%	101,057	15.4%	0.5%
Big data	81,316	10.9%	68,112	10.4%	19.4%
Others	17,750	2.4%	19,769	3.0%	(10.2%)
Total revenue	743,146	100.0%	656,943	100.0%	13.1%

In 2022, a significant portion of the revenue was generated from the northern region of China, and other regional businesses were also steadily expanded. 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.

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

	For the year ended December 31,			
	2022		2021	
	RMB'000	% of total	RMB'000	% of total
Northern	318,842	42.9%	308,057	46.9%
Eastern	205,730	27.7%	160,852	24.5%
Central	67,258	9.1%	59,555	9.1%
Southern	58,209	7.8%	48,266	7.3%
Northwestern	38,805	5.2%	39,470	6.0%
Northeastern	35,105	4.7%	21,345	3.2%
Southwestern	19,197	2.6%	19,398	3.0%
Total revenue	743,146	100.0%	656,943	100.0%

2.2.1 Interest Income

The interest income of the Group increased by 13.3% from RMB541.4 million in 2021 to RMB613.4 million in 2022, accounting for 82.5% 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,					
	2022			2021		
	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	2,663,944	187,297	7.0%	2,647,623	174,053	6.6%
Intelligent manufacturing						
Life sciences & healthcare	2,340,146	131,136	5.6%	1,571,242	90,424	5.8%
Life sciences & healthcare	1,799,087	130,484	7.3%	1,612,916	115,558	7.2%
Internet-based products & services	1,302,919	82,667	6.3%	1,165,799	86,887	7.5%
Big data	1,073,576	65,919	6.1%	917,625	59,195	6.5%
Others	226,620	15,894	7.0%	221,180	15,250	6.9%
Total	9,406,291	613,397	6.5%	8,136,385	541,367	6.7%

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 15.6% from RMB8,136.4 million in 2021 to RMB9,406.3 million in 2022. Particularly, intelligent manufacturing demonstrated strong growth in the scale, with an increase of 48.9%, as compared to the previous year.

Analysis by average yield of interest-earning assets

In 2022, the average yield of interest-earning assets of the Group was 6.5%, representing a deduction of 0.2 percentage point from 6.7% in the last year. The Group's interest expense yield decreased from 4.1% to 3.9%. In the economic downturn, the Group continued to expand its business, maintain a stable profit level and benefit the real economy, showing the Group's mission and responsibility to cultivate science and technology Innovation Industry.

2.2.2 Advisory Fee Income

The advisory fee income of the Group increased by 12.3% from RMB115.6 million in 2021 to RMB129.7 million in 2022, accounting for 17.5% 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,				
	2022		2021		Changes
	RMB'000	% of total	RMB'000	% of total	
Management and business advisory fee income	38,899	30.0%	38,968	33.7%	(0.2%)
Policy advisory fee income	90,850	70.0%	76,608	66.3%	18.6%
Total advisory fee income	129,749	100.0%	115,576	100.0%	12.3%

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

	For the year ended December 31,				
	2022		2021		**Changes**
	RMB'000	**% of total**	RMB'000	% of total	
Eco-solutions	**20,427**	**15.7%**	29,350	25.4%	(30.4%)
Life sciences & healthcare	**29,097**	**22.4%**	30,489	26.4%	(4.6%)
Intelligent manufacturing	**44,048**	**33.9%**	28,132	24.3%	56.6%
Big data	**15,398**	**11.9%**	8,917	7.7%	72.7%
Internet-based products & services	**18,923**	**14.6%**	14,170	12.3%	33.5%
Others	**1,856**	**1.4%**	4,518	3.9%	58.9%
Total revenue	**129,749**	**100.0%**	115,576	100.0%	12.3%

2.3 Interest Expense

The interest expense of the Group increased by 10.5% from RMB246.5 million in 2021 to RMB272.5 million in 2022, mainly due to the rapid growth of the finance leasing business and the Group's increased financing efforts to support the development of the business.

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,				
	2022		2021		Changes
	RMB'000	% of total	RMB'000	% of total	
Commercial banks	111,864	41.1%	100,612	40.7%	11.2%
Asset-backed securities	80,607	29.6%	45,543	18.5%	77.0%
Imputed on interest-free guaranteed deposits	61,128	22.4%	57,368	23.3%	6.6%
Borrowings from related parties[1]	17,229	6.3%	41,816	17.0%	(58.8%)
Lease liabilities	1,665	0.6%	1,206	0.5%	38.1%
Total interest expense	272,493	100.0%	246,545	100.0%	10.5%

Note:

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

In 2022, the interest income rate of the Group was 3.9%, representing a decrease of 0.2 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,					
	2022			2021		
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	**2,732,966**	**111,863**	**4.1%**	2,377,061	100,612	4.2%
Asset-backed securities	**2,238,773**	**80,607**	**3.6%**	1,222,628	45,543	3.7%
Borrowings from related parties	**421,538**	**17,229**	**4.1%**	980,000	41,816	4.3%
Total borrowings	**5,393,277**	**209,700**	**3.9%**	4,579,689	187,971	4.1%

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 2022 was 2.6%, unchanged from the previous year. The net interest margin of the Group was 3.7%, representing a decrease of 0.1 percentage point from 3.8% in the previous year, mainly because the growth rate of net interest income was slower 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,		
	2022	2021	**Changes**
	RMB'000	RMB'000	
Interest income	**613,397**	541,367	13.3%
Interest expenses	**(272,493)**	(246,545)	10.5%
Net interest income	**340,904**	294,822	15.6%
Interest income yield(1)	**6.7%**	7.0%	(4.3%)
Interest expense yield(2)	**4.1%**	4.4%	(6.8%)
Net interest spread(3)	**2.6%**	2.6%	0.0%
Net interest margin(4)	**3.7%**	3.8%	(2.6%)

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 2022, other net income obtained by the Group was RMB15.3 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,		
	2022	2021	Changes
	RMB'000	RMB'000	
Government grants	5,426	5,490	(1.2%)
Income from related parties	4,260	2,575	65.4%
Interests from deposits	4,428	5,885	(24.8%)
Investment income	247	281	(12.1%)
Others	981	192	410.9%
Total other net income	15,342	14,423	6.4%

2.6 Operating Expense

In 2022, operating expense of the Group amounted to RMB150.6 million, representing an increase of RMB21.2 million or a growth rate of 16.3%.

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

	For the year ended December 31,				
	2022		2021		Changes
	RMB'000	% of total	RMB'000	% of total	
Staff cost	87,595	58.2%	71,987	55.6%	21.7%
Rental expense	2,309	1.5%	2,207	1.7%	4.6%
Service expense	21,784	14.5%	14,152	10.9%	53.9%
Depreciation and amortization	19,589	13.0%	19,131	14.8%	2.4%
Professional service expense	7,378	4.9%	10,425	8.1%	(29.2%)
Others	11,905	7.9%	11,505	8.9%	3.5%
Total operating expense	150,560	100.0%	129,407	100.0%	16.3%

2.7 Impairment Losses Charged

Impairment losses charged primarily related to loans and receivables and credit commitments of the Group. In 2022, the expected credit impairment losses of the Group amounted to RMB49.6 million, representing a year-on-year decrease of 6.5%. Affected by the COVID-19 pandemic and the economic environment, the Group actively carried out the disposal of NPAs and achieved remarkable results.

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

	For the year ended December 31,		
	2022	2021	**Changes**
	RMB'000	RMB'000	
Finance lease receivables	**49,246**	53,072	(7.2%)
Credit commitments[1]	**334**	(68)	(591.2%)
Impairment losses charged	**49,580**	53,004	(6.5%)

Note:

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

2.8 Income Tax Expense

In 2022, income tax expense of the Group was RMB75.0 million, an increase of RMB9.3 million or 14.1% as compared to the previous year, contributed by the increase of pre-tax profit. The effective tax rate of the Group in 2022 was 24.9%.

2.9 Profit for the Year

The net profit of the Group in 2022 was RMB226.1 million, representing an increase of RMB30.2 million, or a growth rate of 15.4% from 2021. The increase in profit for the year was the combined effect of (i) the increase of 13.1% in the revenue, (ii) the increase of 10.5% 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 was RMB15.1 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 2022 amounted to RMB0.17, representing an increase of RMB0.02 from 2021, due to the further enhancement of the Group's profitability in 2022.

3. ANALYSIS OF FINANCIAL POSITION

3.1 Assets (Overview)

As of December 31, 2022, the total assets of the Group amounted to RMB10,914.9 million, representing a growth of RMB1,486.3 million or 15.8% as compared to the end of last year. Loans and receivables amounted to RMB9,819.7 million, representing an increase of RMB1,346.8 million or 15.9% as compared to the end of last year. In terms of the asset structure, loans and receivables accounted for 90.0% of total assets, and cash and cash equivalents accounted for 5.8% of total assets.

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

	As of December 31, 2022		As of December 31, 2021		**Changes**
	RMB'000	**% of total**	RMB'000	% of total	
Finance lease receivables	**9,819,652**	**90.1%**	8,472,832	89.9%	15.9%
Pledged and restricted deposits	**53,754**	**0.5%**	19,231	0.2%	179.5%
Cash and cash equivalents	**634,987**	**5.8%**	650,163	6.9%	(2.3%)
Trade and other receivables	**42,311**	**0.4%**	34,715	0.4%	21.9%
Deferred tax assets	**75,843**	**0.7%**	66,638	0.7%	13.8%
Property and equipment	**36,350**	**0.3%**	42,265	0.4%	(14.0%)
Interest in associates	**190,689**	**1.7%**	116,219	1.2%	64.1%
Financial assets at fair value through other comprehensive income	**12,299**	**0.1%**	11,986	0.1%	2.6%
Financial assets at fair value through profit or loss	**33,181**	**0.3%**	1,000	0.0%	3,218.1%
Intangible assets	**15,829**	**0.1%**	13,574	0.1%	16.6%
Total assets	**10,914,895**	**100.0%**	9,428,623	100.0%	15.8%

3.2 Loans and Receivables

In 2022, the Group entered into 581 financial lease contracts with 494 lessees. Driven by the expansion of business scale, our loans and receivables continued to climb. As of December 31, 2022, net amount of loans and receivables of the Group amounted to RMB9,819.7 million, representing a soar of 15.9% 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, 2022 RMB'000	As of December 31, 2021 RMB'000	**Changes**
Gross amount of loans and receivables	**10,872,502**	9,388,396	15.8%
Less: Unearned finance income	**(768,178)**	(680,138)	12.9%
Net amount of loans and receivables	**10,104,324**	8,708,258	16.0%
Less: Allowances for impairment losses	**(284,672)**	(235,426)	20.9%
Carrying amount of loans and receivables	**9,819,652**	8,472,832	15.9%

3.2.1 Industry Profile of Loans and Receivables

In 2022, 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 RMB1,024.3 million, representing an increase of 56.0%.

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, 2022		As of December 31, 2021		Changes
	RMB'000	% of total	RMB'000	% of total	
Intelligent manufacturing	**2,852,318**	**28.2%**	1,827,974	21.0%	56.0%
Eco-solutions	**2,543,390**	**25.2%**	2,784,498	32.0%	(9.0%)
Life sciences & healthcare	**1,863,957**	**18.4%**	1,734,216	19.9%	7.5%
Internet-based products & services	**1,420,478**	**14.1%**	1,185,359	13.6%	19.8%
Big data	**1,233,345**	**12.2%**	913,807	10.5%	35.0%
Others	**190,836**	**1.9%**	262,404	3.0%	(27.3%)
Net amount of loans and receivables	**10,104,324**	**100.0%**	8,708,258	100.0%	16.0%

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, 2022		As of December 31, 2021		Changes
	RMB'000	% of total	RMB'000	% of total	
Northern	**4,157,549**	**41.1%**	3,741,615	43.0%	11.1%
Eastern	**3,063,495**	**30.3%**	2,439,253	28.0%	25.6%
Southern	**976,947**	**9.7%**	534,225	6.1%	82.9%
Central	**857,399**	**8.5%**	876,171	10.1%	(2.1%)
Northwestern	**437,624**	**4.3%**	475,648	5.5%	(8.0%)
Northeastern	**371,783**	**3.7%**	369,090	4.2%	0.7%
Southwestern	**239,527**	**2.4%**	272,256	3.1%	(12.0%)
Net amount of loans and receivables	**10,104,324**	**100.0%**	8,708,258	100.0%	16.0%

3.2.3 Maturity Profile of Loans and Receivables

As of December 31, 2022, 58.0% 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, 2022		As of December 31, 2021		Changes
	RMB'000	% of total	RMB'000	% of total	
Maturity					
Not later than 1 year	**5,858,002**	**58.0%**	4,912,295	56.4%	19.3%
1 to 2 years	**3,136,579**	**31.0%**	2,601,235	29.9%	20.6%
2 to 3 years	**918,325**	**9.1%**	1,042,837	12.0%	(11.9%)
Over 3 years	**191,418**	**1.9%**	151,891	1.7%	26.0%
Net amount of loans and receivables	**10,104,324**	**100.0%**	8,708,258	100.0%	16.0%

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 2022, the international and domestic situation were complicated, the domestic COVID-19 condition was complex and volatile, the real economy was gloomy, real estate enterprises and financing platforms of local governments faced frequent debt risks. In the face of the severe and complex external environment, the Group stood by its principles while promoting innovation, actively and calmly handled various risks and challenges and overcame difficulties. In 2022, the Group's asset security and the allowance coverage ratio for NPAs improved steadily, and the asset quality continued to be optimized.

Upholding principles while promoting innovation and expanding the channel for introducing high-quality assets

During the Reporting Period, the Group adhered to the development path of specializing business, continuously innovated products, explored industry and finance integration models, implemented regional growth strategies, and continued to expand the channel for introducing high-quality assets. Based on the characteristics of science and technology innovation enterprises, we turned "knowledge" into "capital" and pioneered the intellectual property financing by science and technology innovation enterprises, and actively explored business scenarios of industry and finance integration with the guidance of "industrial operation + technology finance" to reach the upstream and downstream participants of the technology industry and realize in-depth integration of the technology industry and finance. In 2022, the Company made breakthroughs in regional growth strategies. Three regional joint-stock companies in Shenzhen, Hangzhou and Suzhou have been established to better reach new regions of economic vitality.

Pushing ahead with financial technology system upgrade and improving the asset management performance

During the Reporting Period, the Group continued to strengthen data governance and increase 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. Based on the historical risk project database, we tapped deep into the characteristics of historical risk projects, explored and expanded information sources, enhanced the internal and external information collection and integration ability, further improved risk identification and early warning and the asset management performance.

Improving the overdue decision-making and collection mechanism and making major progress in collection and disposal

During the Reporting Period, the Group continuously optimized the overdue project collection and decision-making mechanism, 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 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, 2022		As of December 31, 2021		Changes
	RMB'000	% of total	RMB'000	% of total	
Normal	9,564,672	94.6%	8,264,776	94.9%	15.7%
Special mention	375,778	3.7%	309,661	3.6%	21.4%
Sub-standard	78,302	0.8%	62,335	0.7%	25.6%
Doubtful	16,578	0.2%	11,349	0.1%	46.1%
Loss	68,994	0.7%	60,137	0.7%	14.7%
Net amount of finance lease receivables	10,104,324	100.0%	8,708,258	100.0%	16.0%
NPAs	163,874		133,821		
NPAs ratio	1.6%		1.5%		

In 2022, 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 and the NPAs ratio remained stable. By the end of 2022, the proportion of normal assets of the Group was 94.6%, a decrease of 0.3 percentage points compared with the beginning of the year. The NPAs ratio was 1.6%, an increase of 0.1 percentage points compared with the beginning of the year.

As of December 31, 2022, the assets under special mention accounted for 3.7%, representing an increase of 0.1 percentage point from 3.6% as of December 31, 2021. 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, 2022		As of December 31, 2021		Changes
	RMB'000	% of total	RMB'000	% of total	
Intelligent manufacturing	135,320	35.9%	154,216	49.8%	(12.3%)
Eco-solutions	80,983	21.6%	71,033	22.9%	14.0%
Internet-based products & services	75,113	20.0%	24,614	7.9%	205.2%
Life sciences & healthcare	41,566	11.1%	2,980	1.0%	1294.8%
Big data	31,661	8.4%	56,818	18.3%	(44.3%)
Others	11,135	3.0%	0	0.0%	N/A
Total special mention	375,778	100.0%	309,661	100.0%	21.4%

The assets under special mention in the eco-solutions industry accounted for 21.6% of the total assets under special mention in 2022, an increase of 14.0% 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 life sciences & healthcare industry accounted for 11.1% of the total assets under special mention in 2022, a significant decrease of 1,294.8% from the previous year. The main reason is that in 2022, the offline operation scenarios of some customers in the life sciences & healthcare industry are affected by the normalization of the epidemic and the operation order is affected, which leads to certain operating pressure of some customers. 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, 2022		As of December 31, 2021		Changes
	RMB'000	% of total	RMB'000	% of total	
Big data	66,937	40.9%	69,900	52.2%	(4.2%)
Intelligent manufacturing	43,406	26.5%	4,973	3.7%	772.8%
Eco-solutions	29,627	18.1%	34,718	25.9%	(14.7%)
Internet-based products & services	17,852	10.9%	15,063	11.3%	18.5%
Life sciences & healthcare	3,357	2.0%	4,947	3.7%	(32.1%)
Others	2,695	1.6%	4,220	3.2%	(36.1%)
Total NPAs	163,874	100.0%	133,821	100.0%	22.5%

In 2022, the NPAs of big data industry accounted for 40.9% of the total NPAs, a decrease of 4.2% 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 18.1% of the total NPAs in 2022, a decrease of 14.7% over the previous year. With the increase of the Group's overdue processing, the non-performing 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, and the new projects in this year have performed well, and the industry as a whole has developed soundly.

The NPAs in the internet-based products & services industry accounted for 10.9% of the total NPAs in 2022, an increase of 18.5% 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 accounting standards for financial instruments and applies the expected credit loss ("**ECL**") model. The allowances for interest-earning assets of the Group increased by RMB49.3 million from RMB235.4 million as of December 31, 2021 to RMB284.7 million as of December 31, 2022.

As of December 31, 2022, ratio of allowances for impairment losses to loans and receivables of the Group was 173.7%, which was 2.2 percentage point lower than that as of December 31, 2021. 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, 2022		As of December 31, 2021	
	RMB'000	**% of total**	RMB'000	% of total
Allowances for NPAs	**116,334**	**40.9%**	87,865	37.3%
Allowances for assets under normal and special mention categories	**168,338**	**59.1%**	147,561	62.7%
Total allowance for loans and receivables	**284,672**	**100.0%**	235,426	100.0%
NPAs	**163,874**		133,821	
Ratio of allowances for impairment losses to loans and receivables	**173.7%**		175.9%	

The Group has been closely monitoring the credit quality of finance lease receivables by monitoring their ECL. As of December 31, 2022, ECL rate of financial lease receivables of the Group in stage one, stage two and stage three was 0.4%, 1.5% and 49.5% respectively. Compared with the end of the previous year, the asset structure of the Group has improved significantly. As of December 31, 2022, the assets of the Group in Stage 1 accounted for 94.7%, decreased by 0.8 percentage point compared with the previous year, and the assets of Stage 2 and Stage 3 accounted for 0.3% and 5.0% respectively, increased by 0.3 percentage point and 0.5 percentage point 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 0.8% 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, 2022				
ECL rate%	**0.4%**	**1.5%**	**49.5%**	**2.8%**
Net amount of loans and receivables	**9,564,672**	**34,027**	**505,625**	**10,104,324**
Allowance for impairment loss	**(33,862)**	**(524)**	**(250,286)**	**(284,672)**
Net value of accounts receivable	**9,530,810**	**33,503**	**255,339**	**9,819,652**
December 31, 2021				
ECL rate%	0.50%	1.00%	48.70%	2.70%
Net amount of loans and receivables	8,312,446	2,719	393,093	8,708,258
Allowance for impairment loss	(44,075)	(28)	(191,323)	(235,426)
Net value of accounts receivable	8,268,371	2,691	201,770	8,472,832

3.3 Others

As of December 31, 2022, cash and cash equivalents of the Group amounted to RMB635.0 million. The Group retained adequate cash to support business expansion and ensures its liquidity and safety. Restricted deposit of the Group amounted to RMB53.8 million, primarily comprising restricted bank deposits for bank acceptances, factorings and asset-backed securities.

As of December 31, 2022, the balance of trade and other receivables of the Group amounted to RMB42.3 million, mainly including advance payments to suppliers for purchase of equipment and deductible value-added input tax.

As of December 31, 2022, the balance of deferred tax assets of the Group amounted to RMB75.8 million, which were mainly derived from the temporary difference between net profit and taxable income in the financial report.

As of December 31, 2022, the balance of property and equipment of the Group amounted to RMB36.4 million, mainly including right-of-use assets and office equipment and computers for our employees.

As of December 31, 2022, the balance of interest in associates/joint ventures of the Group amounted to RMB190.7 million, which was the equity investment in the joint ventures, Beijing Zhongnuo Tongchuang Investment Fund Management Co., Ltd., Jiangsu Zhongguancun Zhongnuo Xietong Investment Fund (Limited Partnership), Beijing Zhongnuo Yuanjian Innovation Investment Fund (Limited Partnership), Shenzhen Zhongke Zhiyi Industry Investment Co., Ltd., Zhongguancun Lingyan (Hangzhou) Private Fund Co., Ltd. and Zhongguancun Huizhi (Suzhou) Enterprise Management Co., Ltd.

As of December 31, 2022, the balance of financial assets at fair value through other comprehensive income of the Group amounted to RMB12.3 million, which was the strategic equity investment in Beijing Zhongguancun Synergetic Innovation Investment Fund Management Co., Ltd.

As of December 31, 2022, the balance of financial assets at fair value through profit or loss of the Group amounted to RMB33.2 million, which was the equity investment in Beijing YuanBio Angel Venture Capital Partnership (Limited Partnership) and Founder Technology Group Co., Ltd.

As of December 31, 2022, the balance of intangible assets of the Group amounted to RMB15.8 million, mainly including software used in our business operations and risk management functions.

3.4 Liabilities (Overview)

As of December 31, 2022, the total liabilities of the Group amounted to RMB8,694.5 million, representing an increase of RMB1,320.0 million or a growth rate of 17.9% as compared to December 31, 2021. Borrowings were the main component of the liabilities, accounting for 73.6%.

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

	As of December 31, 2022		As of December 31, 2021		**Changes**
	RMB'000	**% of total**	RMB'000	% of total	
Borrowings	**6,395,235**	**73.6%**	5,371,076	72.9%	19.1%
Trade and other liabilities	**2,281,098**	**26.2%**	1,971,322	26.7%	15.7%
Income tax payable	**18,142**	**0.2%**	32,144	0.4%	(43.6%)
Total liabilities	**8,694,475**	**100.0%**	7,374,542	100.0%	17.9%

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 2022, the Group successfully issued two tranche of intellectual property asset-backed securities, raising RMB198.0 million. In the financial empowerment of the development of the real economy, the Group innovated the transformation and operation of intellectual property rights, opened up new financing channels for asset-light science and technology innovation enterprises, and fully played the social responsibility of state-owned capital. By the end of 2022, the accumulative issuance of asset securitization products was RMB6,892.0 million, and the issuance of diversified financing products was actively discussed and prepared.

In the indirect financing market, the Group obtained the first domestic syndicated loan line in 2022, successfully expanded the cooperative relationship with several foreign banks, and enhanced the brand influence in the interbank market. By the end of 2022, 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, 2022, the outstanding balance of bank loans was RMB2,797.4 million, accounting for 43.8% of the total borrowings, which was slightly higher as compared to December 31, 2021. The proportion of the balance of borrowings from related parties accounted for 15.6% of the total borrowings, which was slightly lower as compared to December 31, 2021, and the balance of asset-backed securities accounted for 40.6% of the total borrowings, representing a slightly decrease 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, 2022		As of December 31, 2021		**Changes**
	RMB'000	**% of total**	RMB'000	% of total	
Bank loans	**2,797,438**	**43.8%**	2,153,106	40.1%	29.9%
– collateralized	**1,628,795**	**25.5%**	1,248,758	23.2%	30.4%
– pledged	**1,168,643**	**18.3%**	904,348	16.9%	29.2%
Borrowings from related parties(1)					
– pledged	**1,000,000**	**15.6%**	900,000	16.8%	11.1%
Asset-backed securities	**2,597,797**	**40.6%**	2,317,970	43.1%	12.1%
Total borrowings	**6,395,235**	**100.0%**	5,371,076	100.0%	19.1%

Note:

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

As of December 31, 2022, the current proportion of borrowings (including short-term borrowings and portions that are due within one year in long-term borrowings) accounted for 60.8% of total borrowings, representing an increase of 37.4% as compared to December 31, 2021. 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, 2022		As of December 31, 2021		**Changes**
	RMB'000	**% of total**	RMB'000	% of total	
Current	**3,890,411**	**60.8%**	2,831,819	52.7%	37.4%
Non-current	**2,504,824**	**39.2%**	2,539,257	47.3%	(1.4%)
Total borrowings	**6,395,235**	**100.0%**	5,371,076	100.0%	19.1%

3.6 Trade and Other Liabilities

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

Trade and other liabilities of the Group increased by 15.7% from RMB1,971.3 million as at the end of last year to RMB2,281.1 million as at the end of this year. This increase was primarily due to the increase of finance lease deposit at the end of the period.

3.7 Capital and Reserves

As of December 31, 2022, total equity attributable to equity shareholders of the Group was RMB2,220.4 million, representing an increase of RMB166.3 million or 8.1% 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, 2022		As of December 31, 2021		**Changes**
	RMB'000	**% of total**	RMB'000	% of total	
Share capital	**1,333,334**	**60.0%**	1,333,334	64.9%	0.0%
Reserves	**887,086**	**40.0%**	720,747	35.1%	23.1%
Total equity	**2,220,420**	**100.0%**	2,054,081	100.0%	8.1%

4. CAPITAL EXPENDITURES

In 2022, the capital expenditure of the Group was RMB92.6 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 assets. To manage and control the 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 Industrial and Regional Customer Access.

It is our consistent strategy to keep the region, industry and customers in check from the customer access, which is also the first step of credit risk control. Our five business departments conduct follow-up research on their respective science and technology innovation industries, put forward the customer classification standards reflecting the characteristics of the industry, and further established the access policy, due diligence standard and customized service scheme from the subdivided industry respectively. Among the fields in line with the government's industry policy guidance, we selected the subdivided industry with large development space, bright development prospects and good industry credit for business expansion. To reduce the risk of excessive diversification in the business area, the Group focuses on the financial leasing business in 16 provinces and set up regional equity companies in Suzhou, Hangzhou and Shenzhen to concentrate the Group's superior resources, further focus on customers in economically developed regions, and reduce the risk of excessive regional decentralization of exhibition industry.

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 "asset credit + subject credit + debt security" and put forward a two-dimensional evaluation system of "asset credit + subject credit". According to the characteristics of different products, the asset credit rating model evaluates the income-generating property, the value preservation property, the controllability property and the liquidity property, strengthens the asset risk management, and mainly evaluates the guarantee degree of the lease property to the creditor's rights. The new intellectual property asset rating evaluates the intellectual property lease from five aspects: corporate innovation, patent acquisition rate, patent importance, patent transformation cycle and maximum remaining life. Based on the characteristics of science and technology innovation enterprises in different development stages, the corporate credit rating model sets up three sub-models, namely, start-up growth model, high-speed growth model and stable growth model, and evaluates them from the following dimensions: capital recognition ability, capital raising ability, market environment, asset operation ability, enterprise management ability, technology/product development ability, differentiated competitiveness, and market development ability and the major potential risks of science and technology innovation enterprises are listed separately. By using investment banking thinking, the Group truly tap customer value and growth potential. The optimized rating system reshapes the existing internal rating system, continuously improves the scientific and refined risk characterization ability of the model, and provides technical support for project decision-making. We also further strengthen the application of rating results in credit management, project pricing, project approval, post-lease management, customer classification, process optimization and other scenarios.

Comprehensive Due Diligence System.

Our project due diligence system comprehensively considers the operating risk, credit risk and legal risk of the lessee subject, the risk of the lessee's affiliated company, and guarantee of leased assets to lessor. The business manager conducts in-depth analysis of the lessee's basic situation, financial performance, credit status, and the purpose of financing through various due diligence investigations, based on full collection of information, assesses project risks and designs project plans to form due diligence report which shall be submitted to the assessment managers. The assessment manager conducts relevant verification and further risk assessment on the due diligence report, and issues an assessment report. Based on the investigation of the genuine existence of the leased assets, ownership and the reasonableness of its prices, our asset manager conducts a comprehensive assessment of the value preservation, controllability, and liquidity of the leased property and forms a leased assets report. Through due diligence and project analysis from multiple perspectives, we ensure that the overall risk of the project is controllable.

Rigorous and Scientific Project Approval Decision.

We ensure the rigor and scientific nature of project approval through multi-person decision-making and professional decision-making. The multi-person decision-making mechanism means that at the stage of lease admission, project initiation and due diligence, three or more employees conduct special discussions and make decisions together to improve the accuracy and comprehensiveness of decision-making and ensure rigorous project decision-making. Professional decision-making refers to depending on the distribution characteristics of the Group's business in the five major industries of artificial intelligence, carbon peaking and carbon neutrality, life sciences & healthcare, intelligent manufacturing and Internet-based products & services, each of our assessment managers and assessment committee members was responsible for assessing projects from the industry in which they specialized to ensure that they focus on the subdivided industry and form a professional assessment experience. The assessment committee of each project is composed of assessment committee members specialized in different field and assess the project from the professional perspectives of industry, finance, and legal affairs.

Complete Post-Lease Management System.

Our post-lease management system covers four aspects: lease assets management, lessee's operation monitoring, lease assets classification and non-performing asset disposal. In terms of lease assets management, we have formulated various requirements for leased assets management, including access conditions, monitoring measures and insurance guarantees for leased assets. In terms of lessee's operation monitoring, we adopt a combination of on-site and off-site inspections to closely monitor the lessee's operation. Once a risk signal is found, we will immediately start the investigation and issue disposal suggestions. In terms of lease assets classification, we classify the leased assets into five categories: normal, special mention, sub-standard, doubtful and loss, and regularly evaluate and adjust them, and take timely countermeasures for the deteriorated assets. In terms of non-performing asset disposal, we form interdepartmental team to analyze the disposal methods of non-performing assets and form targeted treatment plans, including taking relevant legal procedures, selling lease assets or other measures. Based on the accumulation of our long-term professional development, we can quickly dispose of non-performing assets and recover the financial lease receivables 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, 2022 RMB'000	As of December 31, 2021 RMB'000
Changes in basis points		
+100 basis points	**11,661**	12,743
–100 basis points	**(11,661)**	(12,743)

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 2022, 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, 2022							
Total financial assets	**1,113,729**	**375,007**	**1,223,872**	**4,407,051**	**4,495,315**		**11,614,974**
Total financial liabilities	**594**	**438,736**	**932,732**	**3,718,912**	**3,502,442**		**8,593,416**
Net liquidity gap	**1,113,135**	**(63,729)**	**291,140**	**688,139**	**992,873**		**3,021,558**
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

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, 2022, the Group held loans and receivables of RMB5,905.4 million pledged to secure borrowings, and cash of RMB53.8 million pledged for bank acceptances, factorings and asset-backed securities.

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

	As of December 31, 2022 RMB'000	As of December 31, 2021 RMB'000
Pledged finance lease receivables		
For factorings and loan borrowings	**3,219,893**	2,604,926
For asset-backed securities	**2,631,739**	2,587,984
Restricted bank deposits	**53,754**	19,231
Total pledged assets	**5,905,386**	5,212,141

7. MATERIAL INVESTMENTS, ACQUISITIONS AND DISPOSALS

The Group has made an additional equity investment of RMB80.0 million in the joint venture, Beijing Zhongnuo Yuanjian Innovation Investment Fund (Limited Partnership), during the year ended December 31, 2022.

Save as disclosed in this report, there were no significant investments, material acquisitions or disposals of subsidiaries, associated companies and joint ventures by the Group for the year ended December 31, 2022.

8. HUMAN RESOURCES

8.1 Staff and Remuneration

As of December 31, 2022, the Group had a total of 132 employees (As of December 31, 2021: 129), with approximately 100.0% of our staff holding bachelor's degrees or above, and approximately 63.6% holding master's degrees or above (48 employees obtained bachelor's degrees, 84 employees obtained master's degrees). Approximately 14.4% (12 employees) have intermediate professional titles or above; and approximately 5.3% (7 employees) have associate senior professional titles or above.

The Group's employees are generally stable with a high retention rate. In addition to the normal flow of people, approximately 52.3% of our employees (69 employees) have been worked for the Group for over five years. We did not experience any material labor disputes for the year ended December 31, 2022.

For the year ended December 31, 2022, the staff costs of the Group amounted to approximately RMB87.6 million (2021: approximately RMB72.0 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, 2022, 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, 2022, 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, 2022 RMB'000	As of December 31, 2021 RMB'000
Credit commitments(1)	**100,000**	5,000
Capital commitments(2)	**124,440**	3,120

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, 2022, the contracted capital commitments included the unpaid capital commitment to Beijing Zhongnuo Tongchuang Investment Fund Management Co., Ltd. of RMB2.3 million, Beijing Zhongnuo Yuanjian Innovation Investment Fund (Limited Partnership) of RMB120.0 million and the unpaid capital commitment to Shenzhen Zhongke Zhiyi Industry Investment Co., Ltd., Zhongguancun Lingyan (Hangzhou) Private Fund Co., Ltd. and Zhongguancun Huizhi (Suzhou) Enterprise Management Co., Ltd. of RMB0.7 million respectively.

10. USE OF NET PROCEEDS FROM THE GLOBAL OFFERING

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

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	23.4	17.3	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

During China's 14th Five Year Plan, the Company will promote business model innovation, further tap into the industry, and mobilize industry and finance integration and regional growth, backed by standardized development and digital operations and driven by organizational reforms, to push ahead with in-depth integration of industrial operation and technology finance, transform and upgrade business structures, continuously improve the Company's internal value, bring satisfactory returns to investors and create greater value for the society.

1. CORPORATE GOVERNANCE PRACTICE

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

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

2. CORPORATE CULTURE

The Company has been committed to providing comprehensive financial solutions for science and technology enterprises since establishment and has formed a unique corporate culture system. The corporate culture of the Company comprises four components: corporate mission positioning, corporate mission, corporate core competence and corporate values. Our corporate positioning: a value cultivator and financial service partner of the science and technology innovation industry in China. Our corporate mission: discover and build unicorn companies and help science and technology entrepreneurs achieve their dreams. Our corporate core competence: credit and value discovery system. Our corporate values: innovation, professionalism, health and belief.

The Company believes that a healthy corporate culture is the core of good corporate governance and promotes it in business development, general operations and employee training. At present, the Company judges the practice degree of corporate culture by business completion, the number of SRDI (specialized, refined, differentiated and innovative) enterprise customers, the number of small and micro innovation enterprise customers, the number of finance leasing and investments linkage projects, product innovation ability and other indicators. In business development, the Company regularly follows up the completion of the annual key indicators, continuously optimizes the rating model to guide the business development of early-staged science and technology enterprises, and continuously guides and monitors the implementation of corporate culture through the business orientation and operation support system. In general operation, the Company encourages all teams to innovate products and services based on various corporate cultures of serving science and technology enterprises, and provides certain financial support for related innovation activities. In employee training, the Company has incorporated the publicity of corporate culture into various employee training materials, work reporting procedures, topic discussions and other aspects and found out the employees' recognition to the corporate culture or issues identified through various channels. In addition, the Company organized strategic seminars to comprehensively sort out the current strategy and corporate culture based on the Company's actual operating conditions and provide guidance for the Company's development.

3. THE BOARD

3.1 Duties and Division of Responsibility

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3.2 Chairman of the Board and General Manager

In accordance with code provision C.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The Company does not have the position of chief executive officer, the duties of whom are performed by the general manager of the Company. From January 1, 2022 to November 16, 2022, the chairman of the Board was Mr. DUAN Hongwei, a non-executive Director. On November 16, 2022, Mr. DUAN Hongwei resigned from his positions as chairman, non-executive director, chairman of the nomination committee and member of the remuneration committee of the Company. At the same day, Mr. ZHANG Shuqing was appointed as the chairman of the first session of the Board, a member of the Remuneration Committee of the Board and the Nomination Committee of the Board and the chairman of the Nomination Committee of the Board. The appointment of Mr. ZHANG Shuqing as the chairman of the Board of directors shall become effective from the date of the qualification approved by the Beijing Municipal Bureau of Local Financial Regulation and Supervision (北京市地方金融監督管理局). The appointment of Mr. ZHANG Shuqing as the chairman of the Nomination Committee of the Board shall become effective from the date of qualification as the chairman of the Board approved by the Beijing Municipal Bureau of Local Financial Regulation and Supervision. Before Mr. ZHANG Shuqing officially performs his duties as the chairman of the Board, he shall act on behalf of the chairman of the Board. During the Reporting Period, the general manager of the Company was Mr. HE Rongfeng, an executive Director.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3.3 Composition of the Board

As at the end of the Reporting Period, the Board consisted of eight Directors, including two executive Directors namely, Mr. HE Rongfeng (general manager) and Mr. HUANG Wen, three non-executive Directors namely, Mr. ZHANG Shuqing (acting on behalf of the chairman of the Board), Mr. LOU Yixiang and Mr. DU Yunchao, and three independent non-executive Directors namely, Mr. CHENG Dongyue, Mr. WU Tak Lung and Ms. LIN Zhen. The term of appointment of each of the Directors (including non-executive Directors and independent non-executive Directors) is three years commencing from the date when their respective appointments are approved by the Shareholders. Mr. DUAN Hongwei has resigned from his positions as chairman of the Board and non-executive Director on November 16, 2022.

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

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

During the year, the Board also reviewed the implementation and effectiveness of mechanisms to ensure independent views and input are available to the Board. Taking into account the following channels, the Board considered that the Company had in place mechanisms which remain effective to ensure a strong independent element on the Board:

- a sufficient number of three independent non-executive Directors, with the respective professional background of accounting, law and finance leasing industry, representing more than one-third of the Board and all of them continue to devote adequate time contribution to the Company;

- the fees payable to independent non-executive Directors are fixed fees without a discretionary element and none of the independent non-executive Directors receives remuneration based on performance of the Company;

- annual meeting between the chairman and all independent non-executive Directors without presence of other Directors providing effective platform for the chairman to listen independent views on various issues concerning the Group;

- external independent professional advice is available to all Directors (including independent non-executive Directors) whenever deemed necessary to assist them to perform their duties to the Company; and

- to facilitate attendance and participation at the Board and other Board committee meetings, the Company plans meeting schedules for the year well in advance, with remote facilities for attendance also available to all Directors. The Board process, ranging from agenda setting, provision of information and focus on constructive debates and discussions, facilitates effective and active participation by all independent non-executive Directors.

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

3.4 Corporate Governance Functions

The Board delegated to the Audit Committee to perform the corporate governance duties set out in the code provision A.2.1 of the CG Code, as below:

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

The Board and the Audit Committee have performed the aforesaid corporate governance duties during the Reporting Period.

4. BOARD MEETINGS

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

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

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

A typical Board meeting would consist of:

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

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

	Attendance/Number of Meetings						
Name of Director	Board	Audit Committee	Remuneration Committee	Nomination Committee	Risk Control Committee	Annual General Meeting	Extraordinary General Meeting
Mr. DUAN Hongwei [1]	9/13	N/A	N/A	N/A	N/A	1/1	2/2
Mr. ZHANG Shuqing [2]	13/13	N/A	1/1	1/1	1/1	1/1	2/2
Mr. LOU Yixiang	13/13	4/4	N/A	N/A	N/A	1/1	2/2
Mr. DU Yunchao	13/13	4/4	N/A	N/A	N/A	1/1	2/2
Mr. HE Rongfeng	13/13	N/A	1/1	2/2	N/A	1/1	2/2
Mr. HUANG Wen	13/13	N/A	N/A	N/A	1/1	1/1	2/2
Mr. CHENG Dongyue	13/13	4/4	1/1	2/2	1/1	1/1	2/2
Mr. WU Tak Lung	13/13	4/4	1/1	2/2	1/1	1/1	2/2
Ms. LIN Zhen	13/13	4/4	1/1	2/2	1/1	1/1	2/2

Note 1: Mr. DUAN Hongwei resigned from his positions as chairman, non-executive director, chairman of the nomination committee and member of the remuneration committee with effect from November 16, 2022.

Note 2: On November 16, 2022, Mr. ZHANG Shuqing was appointed as the chairman of the first session of the Board, a member of the Remuneration Committee of the Board and the Nomination Committee of the Board and the chairman of the Nomination Committee of the Board.

5. ELECTION OF DIRECTORS

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

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

On December 28, 2022, the Company held a Board meeting to consider proposals related to the election of the new session of the Board of Directors, to recommend director candidates for the second session of the Board and to submit the proposals to the general meeting of the Company for Shareholders' consideration.

6. CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

Each newly appointed Director will receive induction training on the occasion of his/her appointment, so as to ensure that he/she has a proper understanding of the business and operations of the Company and is fully aware of his/her responsibilities under the applicable laws, rules and regulations and the Group's various governance and internal control policies. All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills and have been informed of the requirement under code provision C.1.4 of the CG Code. All newly appointed Directors will receive the training referred to above and will be provided with A Guide on Directors' Duties issued by the Hong Kong Companies Registry and Guidelines for Directors and Guide for Independent Non-Executive Directors issued by the Hong Kong Institute of Directors. The Company provides continuous professional development for all Directors at the expense of the Company so as to develop and refresh their knowledge and skills.

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

Directors	Reading relevant materials	Attending training on Hong Kong listed issuers' and directors' continuing duties and responsibilities/ Visiting/Interviewing key management personnel
Non-Executive Directors		
Mr. DUAN Hongwei [1]	✓	✓
Mr. ZHANG Shuqing	✓	✓
Mr. LOU Yixiang	✓	✓
Mr. DU Yunchao	✓	✓
Executive Directors		
Mr. HE Rongfeng	✓	✓
Mr. HUANG Wen	✓	✓
Independent Non-Executive Directors		
Mr. CHENG Dongyue	✓	✓
Mr. WU Tak Lung	✓	✓
Ms. LIN Zhen	✓	✓

Note 1: resigned with effect from November 16, 2022

7. INSURANCE FOR DIRECTORS

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

8. BOARD COMMITTEES

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

8.1 Audit Committee

The Audit Committee consists of five members, being Mr. CHENG Dongyue, Mr. WU Tak Lung and Ms. LIN Zhen, independent non-executive Directors, Mr. LOU Yixiang and Mr. DU Yunchao, non-executive Directors. The Audit Committee is chaired by Mr. WU Tak Lung who has a professional qualification in accountancy as required by the Listing Rules. Mr. Lou Yixiang ceased to be a member of the Audit Committee with effect from January 19, 2023.

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 internal audit, and performing other duties and responsibilities as assigned by the Board.

During the Reporting Period, the Audit Committee has convened four meetings to review the report on annual audit and the letter of statement prepared by auditors, the annual results of the Group for the year ended December 31, 2021, the interim results of the Group for the six months ended June 30, 2022, the special internal audit reports of the Company, the significant issues on the financial reporting and compliance procedures of the Group, the corporate governance report and the Company's performance on following the corporate governance code. In addition, the Audit Committee has considered the re-appointment of external auditors of the Company and made recommendation to the Board.

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

8.2 Remuneration Committee

The Remuneration Committee consists of five members, being Mr. CHENG Dongyue, Mr. WU Tak Lung and Ms. LIN Zhen, independent non-executive Directors, Mr. ZHANG Shuqing, a non-executive Director and Mr. HE Rongfeng, an executive Director. The Remuneration Committee is chaired by Mr. CHENG Dongyue. Mr. ZHANG Shuqing has been appointed as a member of Remuneration Committee with effect from November 16, 2022. Mr. DUAN Hongwei has resigned as a member of the Remuneration Committee with effect from November 16, 2022.

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

During the Reporting Period, the Remuneration Committee has convened one meeting to consider the remuneration of directors of the second session of the Board of directors of the Company during their term of office.

8.3 Nomination Committee

The Nomination Committee consists of five members, being Mr. ZHANG Shuqing, a non-executive Director, Mr. CHENG Dongyue, Mr. WU Tak Lung and Ms. LIN Zhen, independent non-executive Directors and Mr. HE Rongfeng, an executive Director. Mr. ZHANG Shuqing has been appointed as a member of the Nomination Committee of the Board and the chairman of the Nomination Committee on November 16, 2022. Mr. DUAN Hongwei has resigned as the chairman of the Nomination Committee with effect from November 16, 2022.

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

During the Reporting Period, the Nomination Committee has convened two meetings to recommend the appointment of Mr. ZHANG Shuqing as the chairman of the first session of the Board, to recommend the directors candidates of the second session of the Board, to review the structure and composition of the Board and to make recommendation to the Board; examined the performance of the Board; reviewed the board diversity policy and evaluated the independence of independent non-executive Directors.

8.4 Risk Control Committee

The Risk Control Committee consists of five members, being Mr. HUANG Wen, an executive Director, Mr. ZHANG Shuqing, a non-executive Director, Ms. LIN Zhen, Mr. CHENG Dongyue and Mr. WU Tak Lung, independent non-executive Directors. The Risk Control Committee is chaired by Ms. LIN Zhen.

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

During the Reporting Period, the Risk Control Committee has convened one meeting to review the Company's risk management and internal control for the financial year 2021 and review on the effectiveness of the internal audit functions as required under the Listing Rules.

8.5 Director Nomination Policy

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

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

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

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

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

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

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

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

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

(I) the candidate's character and integrity;

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

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

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

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

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

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

8.6 Board Diversity Policy

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

In addition, as of December 31, 2022, the proportion of female members among all employees (including senior management) of the Company was 47.7%. The Company will take steps to maintain gender diversity among all employees (including senior management). The Company plans to provide comprehensive training for female employees who we believe have the appropriate experience, skills and knowledge in operations and business, including but not limited to business operations, management, accounting and finance, legal compliance, and research and development.

9. DIRECTORS' RESPONSIBILITIES FOR FINANCIAL STATEMENTS

During the Reporting Period, the Directors acknowledge their responsibilities for preparing the financial statements of the Group for the year ended December 31, 2022, which give a true and fair view in accordance with the Listing Rules, International Financial Reporting Standards issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the Directors are responsible for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

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

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

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

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

10. DIRECTORS' AND SUPERVISORS' SECURITIES TRANSACTIONS

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

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

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

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

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

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

	Number of individuals
RMB500,001 to RMB1,000,000	1
RMB1,000,001 to RMB2,000,000	6

12. COMPANY SECRETARY

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

13. RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for the risk management and internal control systems to safeguard the investment of Shareholders and the assets of the Company, and reviewing their effectiveness (including ESG risks) annually. The Board also acknowledges that such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

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

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

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

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

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

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

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

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

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

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

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

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

From the aspect of risk management system construction, the Company return to the essence of financial lease business, establish a risk management system that is really suitable for the "technology" and "financial lease" characteristics of Zhongguancun, strengthen the application of financial technology in the financial lease business, and promote the deep integration of financial technology and financial lease business. During the reporting period, we further optimized and iterated the risk management system, developed "credit asset + credit subject" system, and strengthened risk management and control using technology. At the same time, we gradually transfer technology from the middle platform to the front platform, from strengthening risk control to enabling business development, from supporting role to value creation, through technological innovation, effectively drive business development, and better provide more quality services for innovative enterprises.

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

The Company has established a risk management department and an audit department, which play an important role in monitoring the Company's risk management and internal control. The risk management department carries out the Company's risk assessment every year and issues the Major Risk Report. Taking into account the results of risk points sorted out, the audit department formulates the annual work plan of internal audit, and negotiates the annual internal audit plan and resource utilization with the management.

During the Reporting Period, the Company has inspected the overall effectiveness of the internal control system and issued the internal control self-evaluation report, which found no major defects and control risks.

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

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

14. AUDITOR'S REMUNERATION

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

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

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

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

Service Category	Fees Paid/ Payable RMB'000
Auditing services	1,600
Non-audit services – reviewing the 2022 interim financial report of the Company	1,000

15. DIVIDEND POLICY

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

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

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

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

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

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

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

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

16. THE PROCEDURE FOR SHAREHOLDERS TO CONVENE A GENERAL MEETING

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

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

16.1 The Procedure for Shareholders to Convene a General Meeting

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

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

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

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

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

16.2 The Procedure for Shareholders of Putting Forward Proposals at the General Meeting

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

16.3 The Procedure for Enquiry from Shareholders to the Board

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

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

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

17. COMMUNICATIONS WITH SHAREHOLDERS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and understanding of the Group's business, performance and strategies.

The Company attaches great importance to listening to and receiving reasonable suggestions and opinions from shareholders and investors. During the Reporting Period, the Company strengthened communication with Shareholders and investors through various channels, such as online and offline shareholder-investor exchange activities, results conferences, online roadshows, which allows investors to have a more comprehensive interpretation and analysis of the Group's business philosophy and operating conditions. The Company's corporate website (www.zgclease.com) has three languages: English, traditional Chinese and simplified Chinese, and has a section on investor relations, which converges all regulatory announcements, reports and circulars published on the website of the Stock Exchange for Shareholders and investors' reference, while the other sections of the corporate website provide the latest information on all aspects of the Group's operations. Through the above communication measures and procedures with investors and Shareholders, the Company has examined and reviewed the effectiveness of the relevant policies on communication with investors and Shareholders during the reporting period and considers that the above policies and measures can safeguard the effective communication between the Company and investors and Shareholders.

18. AMENDMENTS TO THE ARTICLES OF ASSOCIATION

Due to the change of the name of the Company's promoter shareholder from "Beijing Chaoyang State-owned Capital Operation and Management Center" to "Beijing Chaoyang State Owned Capital Operation Management Company Limited", the Board proposes to amend the relevant provision in the Articles of Association. The amendment was considered and approved at the 2021 annual general meeting on May 20, 2022. For details of the amendment, please refer to the announcements of the Company dated March 28, 2022 and May 20, 2022 and the circular of the Company dated April 20, 2022.

Saved as disclosed above, there was no major amendment to the Articles of Association during the Reporting Period.

Report of the Board of Directors

The Board is pleased to present its report together with the audited financial statements of the Company for the Reporting Period.

1. BUSINESS REVIEW

1.1 Principal Activities

The Company was established as a limited liability company on November 27, 2012 under the laws of the PRC and is a member of ZGC Group. The Company's H shares were listed on the Stock Exchange since January 21, 2020. During the Reporting Period, the Company was principally engaged in providing finance lease, leasing-based equity investment and integration of industry and finance solution for domestic science and technology innovation enterprises of high growth.

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

1.2 Business Review and Analysis of Key Indicators of Financial Performance

A review of the Company's business during the Reporting Period, which includes a discussion of the principal risks and uncertainties faced by the Company, an analysis of the Company's performance using financial key performance indicators, particulars of important events affecting the Company during the year, and an indication of likely future developments in the Company's business, could be found in the sections headed "Chairman's Statement", "General Manager's Statement" and "Management Discussion and Analysis" in this annual report. A discussion on relationships with its key stakeholders is included in the sections headed "Management Discussion and Analysis" and "Corporate Governance Report" in this annual report. These discussions form part of this directors' report. The Directors are not aware of any important events affecting the Group that have occurred since the end of the Reporting Period.

1.3 Environmental, Social and Governance Performance

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

2. PROFIT DISTRIBUTIONS

2.1 Final Dividend

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

The Company did not declare any interim dividends for the year ended December 31, 2022 (2021: Nil).

The Board has recommended the payment of a final dividend of RMB0.06 per share (tax inclusive) for the year ended December 31, 2022, totally approximately RMB80 million, to the Shareholders whose names appear on the register of members of the Company on Monday, July 3, 2023. 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 Tuesday, August 8, 2023, subject to the Shareholders' approval at the forthcoming annual general meeting.

The Company is not aware of any arrangement under which a Shareholder has waived or agree to waive any dividend.

2.2 Taxation

Pursuant to the PRC Individual Income Tax Law (《中華人民共和國個人所得稅法》), the Implementation Regulations of the PRC Individual Income Tax Law (《中華人民共和國個人所得稅法實施條例》), the Notice on the Issues Concerning the Collection and Administration of Individual Income Tax Following the Repeal of Guo Shui Fa [1993] No. 45 (Guo Shui Han [2011] No. 348) (《國家稅務總局關于國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》(國稅函[2011]348號)) and the Announcement of the State Administration of Taxation on Promulgation of the "Administrative Measures on Entitlement of Non-residents to Treatment under Treaties" (Announcement No. 35 [2019] of the State Administration of Taxation) (《國家稅務總局關于發布〈非居民納稅人享受協議待遇管理辦法〉的公告》(國家稅務總局公告2019年第35號)) and the relevant laws, regulations and regulatory documents, the Company shall, as a withholding agent, withhold and pay individual income tax for the individual holders of H Shares in respect of the proposed final dividend to be distributed to them. Overseas resident individual Shareholders of stocks issued by domestic non-foreign investment enterprises in Hong Kong are entitled to the relevant preferential tax treatment pursuant to the provisions in the tax agreements signed between the countries in which they are residents and China, or to the tax arrangements between Mainland China and Hong Kong and Macau. 10% of the dividends to be distributed to the individual holders of H Shares are generally withheld as individual income tax unless otherwise specified by the relevant tax laws, regulations and agreements.

For holders of H Shares who are non-resident enterprises, in accordance with the provisions of the Notice on Issues concerning Withholding the Enterprise Income Tax on Dividends Paid by Chinese Resident Enterprises to H Shares holders who are Overseas Non-resident Enterprises (Guoshuihan [2008] No. 897) published by the State Administration of Taxation of PRC (國家稅務總局《關于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.

Saved as disclosed above, the Company is not aware of any tax relief or exemption available to the Shareholders by reason of their holding of the Company's securities.

3. CLOSURES OF REGISTER OF MEMBERS

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

For determining the entitlement to attend and vote at the forthcoming annual general meeting, the register of members of the Company will be closed from Monday, June 12, 2023 to Friday, June 16, 2023, 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, June 9, 2023, 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 Tuesday, June 27, 2023 to Monday, July 3, 2023, 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 Monday, June 26, 2023, for registration.

4. FINANCIAL SUMMARY

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

5. PROPERTY, PLANT AND EQUIPMENT

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

6. SHARE/PAID-IN CAPITAL

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

7. EQUITY-LINKED AGREEMENTS

During the Reporting Period, the Company has not entered into any equity-linked agreement.

8. RESERVES

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

As at the end of the Reporting Period, the reserves of the Company available for distribution to the Shareholders amounted to approximately RMB370.7 million.

9. BORROWINGS

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

10. CHARITABLE DONATIONS

During the Reporting Period, the Company's charitable donations amounted to RMB0 (2021: RMB0).

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

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

12. PRE-EMPTIVE RIGHTS

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

Report of the Board of Directors

13. DIRECTORS

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

Non-executive Directors

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

Executive Directors

Mr. HE Rongfeng
Mr. HUANG Wen

Independent Non-executive Directors

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

Note 1: Resigned with effect from November 16, 2022

14. SUPERVISORS

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

Mr. ZHANG Jian
Mr. TIAN Anping
Mr. FANG Fang
Mr. KAN Wei [1]
Mr. TONG Chao
Ms. ZHOU Di
Ms. HAN Nana

Note 1: Retired with effect from January 19, 2023

15. BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

16. DIRECTOR AND SUPERVISOR SERVICE CONTRACTS

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

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

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

17. CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

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

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

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

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

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

20. DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

21. NON-COMPETITION AGREEMENT

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

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

22. INDEMNITY OF DIRECTORS AND SUPERVISORS

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

23. MANAGEMENT CONTRACTS

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

24. LOAN AND GUARANTEE

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

25. SHARE SCHEME

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

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

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

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

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

Name of Shareholder	Class of Shares	Capacity/Nature of interest	Number of Shares interested[1]	Approximate percentage of shareholding in the total issued relevant class of Shares[1] (%)	Approximate percentage of shareholding in the total issued Shares[1] (%)
ZGC Finance[2]	Domestic Shares	Beneficial owner	640,000,000 (L)	76.19% (L)	48.00% (L)
ZGC Group[2]	Domestic Shares	Interest of controlled corporation	640,000,000 (L)	76.19% (L)	48.00% (L)
Beijing SCOMC[2]	Domestic Shares	Interest of controlled corporation	640,000,000 (L)	76.19% (L)	48.00% (L)
Chaoyang SCOMC[3]	Domestic Shares	Beneficial owner	100,000,000 (L)		
		Interest of controlled corporation	100,000,000 (L)		
		Total:	200,000,000 (L)	23.81% (L)	15.00% (L)
Wangjing Development[3]	Domestic Shares	Beneficial owner	100,000,000 (L)	11.90% (L)	7.50% (L)
Nanshan Capital[4]	H Shares	Beneficial owner	99,900,000 (L)	20.25% (L)	7.49% (L)
Nanshan Group Co., Ltd. (南山集團有限公司)[4]	H Shares	Interest of controlled corporation	99,900,000 (L)	20.25% (L)	7.49% (L)
Nanshan Villagers' Committee of Dongjiang County, Longkou City (龍口市東江鎮南山村村民委員會)[4]	H Shares	Interest of controlled corporation	99,900,000 (L)	20.25% (L)	7.49% (L)
SONG Zuowen (宋作文)[4]	H Shares	Interest of controlled corporation	99,900,000 (L)	20.25% (L)	7.49% (L)
CCCG (HK) Holding Limited (中交集團(香港)控股有限公司)[5]	H Shares	Beneficial owner	58,914,000(L)	11.94%(L)	4.42%(L)
China Communications Construction Group Limited (中國交通建設集團有限公司) [5]	H Shares	Interest of controlled corporation	58,914,000(L)	11.94%(L)	4.42%(L)

Name of Shareholder	Class of Shares	Capacity/Nature of interest	Number of Shares interested[1]	Approximate percentage of shareholding in the total issued relevant class of Shares[1] (%)	Approximate percentage of shareholding in the total issued Shares[1] (%)
Beijing Enterprises Group Company Limited[6]	H Shares	Interest of controlled corporation	50,952,000 (L)	10.33% (L)	3.82% (L)
Beijing Enterprises Group (BVI) Company Limited[6]	H Shares	Interest of controlled corporation	50,952,000 (L)	10.33% (L)	3.82% (L)
Beijing Enterprises Holdings Limited[6]	H Shares	Interest of controlled corporation	50,952,000 (L)	10.33% (L)	3.82% (L)
Beijing Enterprises Environmental Construction Limited (北控環境建設有限公司)[6]	H Shares	Interest of controlled corporation	50,952,000 (L)	10.33% (L)	3.82% (L)
Beijing Enterprises Water Group Limited (北控水務集團有限公司)[6]	H Shares	Interest of controlled corporation	50,952,000 (L)	10.33% (L)	3.82% (L)
United Crystal Limited[6]	H Shares	Beneficial owner	50,952,000 (L)	10.33% (L)	3.82% (L)
Beijing Haidian State-owned Capital Operation and Management Center(北京市海澱區國有資本經營管理中心)[7]	H Shares	Interest of controlled corporation	36,742,000 (L)	7.45% (L)	2.76% (L)
Beijing Zhongguancun Science City Innovation and Development Co., Ltd. (北京中關村科學城創新發展有限公司)[7]	H Shares	Beneficial owner	36,742,000 (L)	7.45% (L)	2.76% (L)
HU Daosheng (胡道生)[8]	H Shares	Interest of controlled corporation	32,894,000 (L)	6.67% (L)	2.47% (L)
Superior Far East International Holdings Limited[8]	H Shares	Interest of controlled corporation	32,894,000 (L)	6.67% (L)	2.47% (L)
Superior Far East (China) Holdings Limited (佳和控股有限公司)[8]	H Shares	Interest of controlled corporation	32,894,000 (L)	6.67% (L)	2.47% (L)

Notes:

(1) As at the end of the Reporting Period, the Company has issued a total number of 1,333,334,000 Shares, comprising 840,000,000 Domestic Shares and 493,334,000 H Shares. (L) represents long position.

(2) ZGC Finance directly holds 640,000,000 Domestic Shares. ZGC Group is deemed to be interested in entire Domestic Shares held by ZGC Finance, its wholly-owned subsidiary, under the SFO. As ZGC Group is owned as to 45.4% by Beijing SCOMC, Beijing SCOMC is deemed to be interested in entire Domestic Shares held by ZGC Finance under the SFO.

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

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

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

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

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

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

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

28. ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

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

29. MAJOR CUSTOMERS AND SUPPLIERS

During the Reporting Period, the Company's largest customers accounted for approximately 1.1% of the Company's total revenue. The Company's five largest customers accounted for approximately 4.8% of the Company's total revenue.

During the Reporting Period, the Company's largest suppliers accounted for approximately 7.2% of the Company's total cost of sales. The Company's five largest suppliers accounted for 19.8% of the Company's total cost of sales.

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

30. EMPLOYEES AND REMUNERATION POLICY

The Company had 132 employees as at the end of the Reporting Period, as compared to approximately 129 employees as at December 31, 2021. The Company entered into employment contracts with its employees to cover matters such as position, term of employment, wage, employee benefits and liabilities for breaches and grounds for termination.

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

31. RETIREMENT BENEFITS

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

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

32. CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTION

CONNECTED TRANSACTION

On March 14, 2022, Beijing Zhongguancun Innofund Limted (北京中諾同創投資基金管理有限公司) ("**Beijing ZGC Innofund**") (as general partner), Prevision Capital Co., Ltd. (遠見共創資本管理有限公司) ("**Prevision Capital**") (as general partner), Dajia Investment Holding Co., Ltd. (大家投資控股有限責任公司) ("**Dajia Investment**") (as limited partner), the Company (as limited partner), ZGC Finance (as limited partner) and Shanghai Kejing Business Consulting Partnership* (上海科精商務諮詢合夥企業) ("**Shanghai Kejing**") (as limited partner) enter into the Fund Partnership Agreement (the "**Fund Partnership Agreement**") in relation to the formation and the operation of the Fund with the registered capital of RMB500 million. Under Chapter 14A of the Listing Rules, ZGC Finance is a substantial Shareholder of the Company and thus a connected person of the Company. Under Chapter 14A of the Listing Rules, the transaction contemplated under the Fund Partnership Agreement constitutes a connected transaction of the Company. The principal terms of the Fund Partnership Agreement are as follows:

- Term of the Fund: the initial duration of the Fund will be five years commencing from the date on which the business license for the Fund is obtained. The business license for the Fund was obtained on May 6, 2022. The two years commencing from the date on which the business license is obtained shall be the investment period of the Fund (the "**Investment Period**"). The three years commencing from the expiration of the Investment Period shall be the withdrawal period of the Fund (the "**Withdrawal Period**"). Upon unanimous consent of all Fund Partners, the Withdrawal Period may be extended for no more than one year, and may be extended by not more than two times.

- Size of the Fund and Capital contribution: the registered capital of the Fund is RMB500 million and Beijing ZGC Innofund, Prevision Capital, Dajia Investment, the Company, ZGC Finance and Shanghai Kejing shall subscribe a total amount of RMB3.5 million, RMB1.5 million, RMB242 million. RMB200 million, RMB50 million and RMB3 million respectively.

- Purposes of the Fund: the Fund shall be principally engaged in private equity investments in the Company's finance lease customers.

- Management fee and annual partnership execution fee of the Fund: Beijing Zhongguancun Capital Fund Management Co., Ltd (北京中關村資本基金管理有限公司) ("**ZGC Capital**") shall be the Fund Manager and entitled to the management fee payable yearly. Beijing ZGC Innofund, being the executive partner of the Fund shall be responsible for the operation of investment and administration of the Fund and therefore shall be entitled to an annual partnership execution fee payable yearly. During the Investment Period, the annual management fee shall be calculated at a rate of 0.3% of the subscribed capital contribution of the Fund; during the Withdrawal Period, the annual management fee shall be calculated at a rate of 0.3% of the balance of the total paid-in capital of the Fund after deducting the paid-in capital contribution actually recovered by the Fund Partners. During the Investment Period, Beijing ZGC Innofund as one of the executive partners and responsible for proactively taking part in the operation of the Fund, shall charge an annual partnership execution fee, which is calculated at a rate of 1.2% of the subscribed capital contribution of the Fund; during the Withdrawal Period, the annual partnership execution fee charged by Beijing ZGC Innofund is calculated at a rate of 1.2% of the balance of the total paid-in capital of the Fund after deducting the paid-in capital contribution actually recovered by the Fund Partners. Prevision Capital shall not charge any annual partnership execution fee for being an executive partner of the Fund as it shall assume a supervision role in the operation of the Fund.

- Investment Committee: investment committee shall comprise of five members to be employed by the Fund, of which two members will be nominated by each of the executive partners and one member will be nominated by the Fund Manager. Other limited partners of the Fund shall have the right to recommend observers to attend the meetings of the investment committee, but shall not have the right to vote.

- Profit distribution and loss sharing: Any distributable income from any investment project of the Fund shall generally be distributed in the following order:

  (1) Repayment of paid-in capital contribution to limited partners, the order is Dajia Investment, Shanghai Kejing, the Company and ZGC Finance, among them, the Company and ZGC Finance shall be returned at the same time according to the proportion of paid-in-capital contribution;

  (2) Payment of preferred return to limited partners until each limited partner obtains an annual rate of return of 9% to their respective paid-in capital contribution, the order is Dajia Investment, Shanghai Kejing, the Company and ZGC Finance, among them, the Company and ZGC Finance shall be returned at the same time according to the proportion of paid-in-capital contribution;

(3) Repayment of paid-in capital contribution to general partners, the order is Prevision Capital and Beijing ZGC Innofund;

(4) Payment of preferred return to general partners until each general partner obtains an annual rate of return of 9% to their respective paid-in capital contribution, the order is Prevision Capital and Beijing ZGC Innofund; and

(5) For the remaining distributable income, 80% shall be distributed to limited partners, of which 60% is distributed to the Company and ZGC Finance according to the relative proportion of paid-in-capital contribution, and 40% is distributed to Dajia Investment and Shanghai Kejing according to the relative proportion of paid-in-capital contribution; and 20% shall be distributed to general partners, of which 0.6% is distributed to Shanghai Kejing as the management reward, and 99.4% is distributed to Beijing ZGC Innofund and Prevision Capital in the proportion of 70:30.

An ordinary resolution in relation to the Fund Partnership Agreement was approved by the independent Shareholders of the Company at the extraordinary general meeting on June 14, 2022. Among the Directors, (i) Mr. DUAN Hongwei holds directorship in several subsidiaries of ZGC Group (other than the Company), (ii) Mr. LOU Yixiang is a director of the capital operation department of ZGC Group and also holds directorship in several subsidiaries of ZGC Group (other than the Company), (iii) Mr. ZHANG Shuqing is the executive deputy general manager of ZGC Finance and also holds directorship in several subsidiaries of ZGC Group (other than the Company), and (iv) Mr. HE Rongfeng holds directorship in one subsidiary of ZGC Group (other than the Company), and accordingly they are considered to have material interests in the transactions contemplated under the Fund Partnership Agreement. Mr. DUAN Hongwei, Mr. LOU Yixiang, Mr. ZHANG Shuqing and Mr. HE Rongfeng had abstained from voting on the resolution in respect of the Fund Partnership Agreement at the Board meeting. Save as disclosed above, no Director has interests in the transactions contemplated under the Fund Partnership Agreement.

Please refer to the announcements of the Company dated March 14, 2022 and March 22, 2022 and the circular of the Company dated May 19, 2022 for further details of the Fund Partnership Agreement.

CONTINUING CONNECTED TRANSACTION

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

The Company complied with the pricing policy of the Company in respect of the continuing connected transaction up to the end of the Reporting Period.

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

The following table sets forth details of the continuing connected transaction:

Continuing connected transaction	Connected Person(s)	Annual cap for the year 2022 (RMB million)	Actual transaction amount for the year 2022 (RMB million)
Credit Services Framework Agreement			
Credit services (daily maximum outstanding balances including accrued interest) with security over assets of the Company	ZGC Group and/or its associates	2,724.0	1,017.2

Credit Services Framework Agreement

On November 9, 2021, the Company entered into 2022-2024 credit services framework agreement (the "**2022-2024 Credit Services Framework Agreement**"). The major terms of the Financial Credit Services Agreement are as follows:

- pursuant to the 2022-2024 Credit Services Framework Agreement, the Company may request ZGC Group to provide credit services (including, without limitation, entrusted loan) with security over the assets of the Company (including, without limitation, pledge of trade receivables) acceptable to ZGC Group;

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

- the 2022-2024 Credit Services Framework Agreement shall commence from January 1, 2022 to December 31, 2024.

An ordinary resolution in relation to the continuing connected transactions under the 2022-2024 Credit Services Framework Agreement and the proposed annual caps was approved by the independent Shareholders of the Company at the extraordinary general meeting on January 14, 2022.

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

The table below sets forth the annual caps under the 2022-2024 Credit Services Framework Agreement:

	Annual Caps (RMB million) For the year ended/ending December 31, 2022	2023	2024
Credit services (daily maximum outstanding balances including accrued interest) with security over assets of the Group	2,724.0	3,562.0	4,609.0

The Annual Caps are determined with reference to (i) the historical transaction amounts in relation to the credit services under the credit services framework agreement for the years ended December 31, 2019, 2020 and for the nine months ended September 30, 2021; (ii) the outstanding amount of the secured entrusted loans with ZGC Group; and (iii) the expected growth of the Group's business and the need for financing to support its business expansions.

The Board approved the 2022-2024 Credit Services Framework Agreement. Among the Directors, (i) Mr. DUAN Hongwei holds directorship in several subsidiaries of ZGC Group (other than the Company), (ii) Mr. LOU Yixiang is a director of the capital operation department of ZGC Group and also holds directorship in several subsidiaries of ZGC Group (other than the Company), (iii) Mr. ZHANG Shuqing is the executive deputy general manager of the technology finance department of ZGC Group and also holds directorship in several subsidiaries of ZGC Group (other than the Company), and (iv) Mr. HE Rongfeng holds directorship in one subsidiary of ZGC Group (other than the Company), and accordingly they are considered to have material interests in the transactions contemplated under the 2022-2024 Credit Services Framework Agreement. Mr. DUAN Hongwei, Mr. LOU Yixiang, Mr. ZHANG Shuqing and Mr. HE Rongfeng had abstained from voting on the resolution in respect of the 2022-2024 Credit Services Framework Agreement at the Board meeting. Save as disclosed above, no Director has interests in the transactions contemplated under the 2022-2024 Credit Services Framework Agreement.

Please refer to the Circular of the Company dated December 22, 2021 for further details of the 2022-2024 Credit Services Framework Agreement.

Confirmation of Independent Non-executive Directors

Pursuant to Rule 14A.55 of the Listing Rules, the aforesaid continuing connected transactions have been reviewed by the independent non-executive Directors, who confirmed that the aforesaid continuing connected transactions have been entered into:

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

(b) on normal commercial terms or better; and

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

Confirmation of the Auditor

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

(a) have not been approved by the Board;

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

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

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

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

Related Party Transactions

Details of the related party transactions of the Company during the Reporting Period are set out in Note 27 to the Financial Statements of this annual report.

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

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

33. DEBENTURES ISSUED

As approved by the Shareholders, the Company issued a 1.4-year intellectual property asset-backed securities with a principal amount of RMB107.0 million, carrying an interest rate range from 2.8% to 3.0%, which is listed on the Shenzhen Stock Exchange on August 10, 2022. The proceeds were mainly used for the Company's operation.

As approved by the Shareholders, the Company issued a 2.1-year asset-backed securities with a principal amount of RMB500.0 million, carrying an interest rate range from 3.0% to 3.2%, which is listed on the Shenzhen Stock Exchange on September 20, 2022. The proceeds were mainly used for the Company's operation.

As approved by the Shareholders, the Company issued asset-backed notes with a principal amount of RMB820.0 million and nominal value per unit of RMB100, carrying an interest rate range from 3.65% to 3.7%, which is listed on the National Association of Financial Market Institutional Investors on November 22, 2022. The proceeds were mainly used for sale-and-leaseback, direct lease, intellectual property projects and repayment of loans from financial institutions.

As approved by the Shareholders, the Company issued a 1.7-year asset-backed securities with a principal amount of RMB91.0 million, carrying an interest rate of 4.0%, which is listed on the Shenzhen Stock Exchange on September 20, 2022. The proceeds were mainly used for the Company's operation.

34. SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Board, as at the latest practicable date prior to the issue of this report, the Company has maintained the public float as required under the Listing Rules.

35. AUDITOR

KPMG will retire, and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

An ordinary resolution for re-appointment of KPMG (for issuance of audit report in accordance with the international standards) as the international auditors of the Company for the year 2023, and KPMG Huazhen LLP (for issuance of audit report in accordance with the standards in the PRC) as the domestic auditor of the Company for the year 2023 will be proposed at the forthcoming annual general meeting for Shareholders' approval.

36. COMPLIANCE WITH LAWS AND REGULATIONS

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

37. MATTERS LEGAL, LITIGATION AND ARBITRATION MATTERS

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

On behalf of the Board
ZHANG Shuqing
Chairman
March 17, 2023

Report of the Board of Supervisors

In 2022, the Board of Supervisors has carried out its supervisory and other duties in accordance with the Company Law of the PRC, the Articles of Association and the Rules of Procedure of the Board of Supervisors of the Company to ensure the sound, stable and sustainable development of the Company as well as to safeguard the legal interests of all Shareholders. The Board of Supervisors has performed effective supervision, through the inspection of relevant documents and information of the Company, financial reports, and attending meetings of the Board of Directors and the Shareholders' general meetings, on the operation status, financial positions, connected transactions and internal control of the Company. The Board of Supervisors expressed the following independent opinion of such matters of the Company during the reporting period:

1. PARTICULARS OF MAJOR WORKS OF THE BOARD OF SUPERVISORS

1.1 Meetings of the Board of Supervisors

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

(1) On March 18, 2022, the Board of Supervisors convened the eighth meeting of the first session of the Board of Supervisors. 6 resolutions were considered and approved at the meeting, including the Financial Report for 2021, the Annual Report for 2021 and the Annual Results Announcement for 2021 formed according to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the 2022 Financial Budget Plan, the 2021 Profit Distribution Plan and the Report of the Board of Supervisors for 2021.

(2) On August 19, 2022, the Board of Supervisors convened the ninth meeting of the first session of the Board of Supervisors. 2 resolutions were considered and approved at the meeting, including the Interim Financial Report for 2022 and the Interim Report for 2022 and the Interim Results Announcement for 2022 formed according to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

(3) On December 20, 2022, the Board of Supervisors convened the tenth meeting of the first session of the Board of Supervisors. 2 resolutions were considered and approved at the meeting, including election of Supervisors of the second session of the Board of Supervisors and the remuneration of Supervisors of the second session of the Board of Supervisors during their term of office.

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

During the Reporting Period, the Supervisors attended thirteen Board meetings, the 2022 first extraordinary general meeting, the 2021 annual general meeting and the 2022 second extraordinary general meeting and had no objection against the contents of reports and proposals submitted by the Board to the general meetings of the Company for the Shareholders' consideration. The Board of Supervisors supervised the implementation of the resolutions approved at the general meetings of the Company and considered that the Board was able to execute the resolutions approved at the general meetings of the Company.

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

2.1 Compliant Operation

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

2.2 The Authenticity of the Financial Report

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

2.3 Use of Proceeds from Initial Public Offering

During the Reporting Period, the use of proceeds from the Company's initial public offering was consistent with the purpose stated in the Prospectus.

2.4 Connected Transactions

During the Reporting Period, the connected transactions of the Company were conducted under the principle of fairness and the procedures of the transactions were in compliance with laws and regulations. No circumstance that infringed upon the interests of the Company was found. The consideration, voting, disclosure and implementation of connected transactions complied with the applicable laws and regulations and the Articles of Association.

2.5 Information Disclosure

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

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

On behalf of the Board of Supervisors
ZHANG Jian
Chairman of the Board of Supervisors
March 17, 2023

Environmental, Social and Governance Report

ABOUT THE REPORT

This is the third environmental, social, and governance ("**ESG**") report of Zhongguancun Science-Tech Leasing Co., Ltd. (the "**Company**", or "**we**"). The purpose of this report is to report the social responsibility and the sustainability practices of the Company and its subsidiaries in 2022, as well as to respond to the material issues concerned by our key stakeholders. For more information on corporate governance of the Company, please refer to the "Corporate Governance Report" section in this annual report.

Basis of Preparation

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

Reporting Scope

The principal activities of the Company are offering efficient finance lease solutions and a variety of advisory services to satisfy technology and new economy companies' needs for financial services at different stages of their growth. This report covers the Company's overall environmental and social performances and selected key performance indicators for the period from January 1, 2022 to December 31, 2022 (the "**Reporting Period**"), unless otherwise stated.

Data Explanation

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

Review of the Report

The report has been reviewed and approved by the Board on March 17, 2023.

Publication of the Report

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

Reporting Principles

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

- ***Materiality***

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

- ***Quantitative***

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

- ***Balance***

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

- ***Consistency***

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

Readers Feedback

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

Environmental, Social and Governance Report

ESG GOVERNANCE

Board Statement

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

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

ESG Governance Structure

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

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

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

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

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

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

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

f) to fulfill other responsibilities authorized by the Board.

Stakeholder Engagement

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

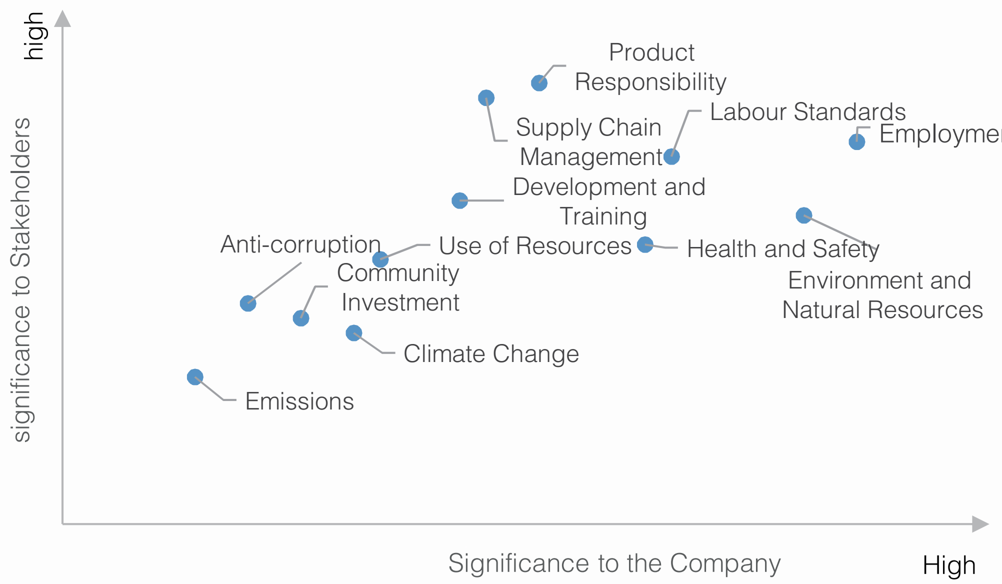
Environmental, Social and Governance Report

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

Stakeholder	Requirement and Expectation	Communication and Response
Governments and Regulatory Bodies	• Compliance with national policies, laws and regulations • Real economy service • Pay taxes according to law • Anti-corruption	• Regular reporting • Policy implementation • Examinations and inspections • Education and learning
Shareholders	• Business performance and corporate strategy • Corporate governance and compliant operations • Rise in company value • Transparent information and efficient communication • Risk management	• Financial reports and announcements • General meetings and road-shows • Emails, telephone contacts and • company websites • Dedicated reports
Suppliers and partners	• Supply chain management • Business ethics	• Formulating purchasing management rules • Strategic cooperation agreements
Customers	• Outstanding products and services • Client information security • Operation with integrity	• Customers meetings • Regular visits • Customer feedback
Employees	• Employees' rights and benefits • Employee health and safety • Employee development and training	• Trade union activities • Employee physical examination • Online learning platform
Community and the public	• Community services • Environmental protection	• Charity activities • Company website

Materiality Assessment

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



Through the above survey, we have identified, in order of importance, six key issues, namely Employment, Product Responsibility, Labour Standards, Supply Chain Management, Health and Safety, Environment and Natural Resources. We will use these as important internal references to continuously improve our sustainability management and performance and effectively respond to the key concerns of stakeholders on sustainability issues.

ENVIRONMENTAL PROTECTION

A1. Emissions

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

A1.1. Emissions

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

During the Reporting Period, employees of the Company attended business trips by plane, which generated an aggregate of 38.25 tons of carbon dioxide emissions.

A1.2. Greenhouse Gas Emissions

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

Greenhouse gas	Emission amount in 2022	Emission amount in 2021	Emission density in 2022	Emission density in 2021
Carbon dioxide (CO_2) emission (Scope 1)	9.74 tons	17.54 tons	0.07 tons per person	0.14 tons per person
Carbon dioxide (CO_2) emission (Scope 2)	83.39 tons	95.68 tons	0.63 tons per person	0.74 tons per person
Carbon dioxide (CO_2) emission (Scope 3)	41.35 tons	82.83 tons	0.31 tons per person	0.64 tons per person
Total carbon dioxide (CO_2) emission equivalent	134.48 tons	196.06 tons	1.02 tons per person	1.5 tons per person

Note: Emission factors were made with reference to Appendix 27 of the Listing Rules and their referred documentation as set out therein, unless stated otherwise.

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

Air pollutants	The amount generated in 2022	The amount generated in 2021	The density generated in 2022	The density generated in 2021
Nitrogen oxide (NO_x)	44,380.10 grams	54,821.33 grams	336.21 grams per person	424.97 grams per person
Sulfur oxide (SO_x)	60.65 grams	109.27 grams	0.46 grams per person	0.85 grams per person
Particulates (PM)	4,252.47 grams	5,252.94 grams	32.22 grams per person	40.72 grams per person

A1.3. Hazardous Waste

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

Hazardous waste	**The amount generated in 2022**	The amount generated in 2021	**The density generated in 2022**	The density generated in 2021
Waste batteries	**31.21 kilograms**	22.25 kilograms	**0.24 kilograms per person**	0.17 kilograms per person
Waste ink cartridges	**148 pieces**	110 pieces	**1.12 pieces per person**	0.85 pieces per person

A1.4. Non-hazardous Waste

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

Non-hazardous waste	**The amount generated in 2022**	The amount generated in 2021	**The density generated in 2022**	The density generated in 2021
Waste paper	**647.64 kilograms**	601.38 kilograms	**4.91 kilograms per person**	4.66 kilograms per person

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

A1.5. Measures to Mitigate Emissions

The Company's operations resulted in insignificant emissions.

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

As a measure to mitigate emission and to increase productivity, business phone calls are encouraged for internal and external communications to reduce the need of business air trips. During the Reporting Period, we were not subject to any punishments and legal proceedings resulting from violating environmental issues.

A1.6. Waste Handling and Reduction Initiatives

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

Waste reduction initiatives are encouraged among employees, such as adopting double-sided paper printing, and reusing single-side used printed paper. The Company shall review existing waste management at the work environment to promote better waste sorting and reduction practices.

A2. Use of Resources

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

A2.1. Energy Consumption

Resources usage	Consumption in 2022	Consumption in 2021	Per capita consumption in 2022	Per capita consumption in 2021
Total electricity consumption	**86,143.00 kWh**	98,845.6 kWh	**652.60 kWhs per person**	776.24 kWhs per person
Gasoline consumption	**4,125.70 liters**	7,433.4 liters	**31.26 Liters per person**	57.62 Liters per person
Office paper	**3.24 tons**	3.01 tons	**0.02 tons per person**	0.02 tons per person

A2.2. Water Consumption

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

A2.3. Energy Use Efficiency Initiatives

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

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

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

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

A2.4. Water Use Efficiency Initiatives

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

A2.5. Packaging Materials

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

A3. The Environment and Natural Resources

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

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

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

During the Reporting Period, the Company earnestly implemented various policies and requirements of green finance, took carbon peaking and carbon neutrality as a key business field, increased resource allocation and pricing support, enriched product lines, upgraded service mode of carbon peaking and carbon neutrality business, strengthened the concept of green development, and promoted green finance. In 2022, the Company' finance leasing principles recognized over RMB500 million in the fields of energy conservation, environmental protection, clean energy, ecological protection and environmental governance, hazardous waste disposal, recycling and other fields, effectively supporting the cause of environmental protection through financial leasing.

B. SOCIAL

1. Employment and Labor Practices

B1. Employment

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

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

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

The Company had a total number of 132 employees as at December 31, 2022 (129 employees in 2021), all of which were from the PRC and located in Beijing.

Workforce	Unit	2022	2021
By Employment Type			
Full-time	Person	132	129
Part-time	Person	0	0
By Gender			
Female	Person	63	62
Male	Person	69	67
By Employee Category			
Senior Management	Person	7	7
Middle Management	Person	22	21
Frontline and Other Employees	Person	103	101
By Age Group			
35 or under	Person	79	85
36-54	Person	51	43
55 or above	Person	2	1
By Academic Qualification			
Master or above	Person	84	82
Bachelor	Person	48	47
Junior college graduate or below	Person	0	0

A total of 20 employees left the Company during the Reporting Period (turnover rate:15%) who were all full-time employees in the PRC. (A total of 18 employees left the Company in 2020, turnover rate is 14%)

Turnover	Unit	2022	2021
By Gender			
Female	Percentage	**11.1**	8.1
Male	Percentage	**18.8**	19.4
By Employee Category			
Senior Management	Percentage	**0**	0
Middle Management	Percentage	**9.1**	0
Frontline and Other Employees	Percentage	**17.5**	17.8
By Age Group			
35 or under	Percentage	**16.5**	17.6
36-54	Percentage	**13.4**	7.0
55 or above	Percentage	**0**	0
By Academic Qualification			
Master or above	Percentage	**16.7**	12.2
Bachelor	Percentage	**12.5**	17.2
Junior college graduate or below	Percentage	**0**	0

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

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

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

B2. Health and Safety

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

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

The Company continues to strengthen the construction of corporate culture, and actively develop a variety of cultural and sports activities. The company fully responds to the needs of employees, and holds a variety of activities, such as flower fragrance hand-making activities (永生花香氛手作活動), traditional Chinese medicine diagnosis and massage activities (中醫診療及推拿活動), online training activities on parent-child relationship (親子關係線上培訓活動), lectures on mental health and emotional management (心理健康及情緒管理講座), oral free diagnosis activities (口腔義診活動), 10th anniversary table tennis competition (十周年乒乓球比賽), etc., which effectively conveys the value concept of the company, improves the spiritual outlook of all employees and enhances the cohesion of employees.

B3. Development and Training

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

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

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

During the Reporting Period, a total of 21,708 training hours was completed by 132 employees. (a total of 19,608 training hours was completed in 2021)

Development and Training	Unit	2022	2021
Percentage of Employees Trained by Employee Category			
Senior Management	Percentage	**100**	100
Middle Management	Percentage	**100**	100
Frontline and Other Employees	Percentage	**100**	100
Percentage of Employees Trained by Gender			
Female	Percentage	**100**	100
Male	Percentage	**100**	100
Average Training Hours Completed per Employee by Employee Category			
Senior Management	Hour	**182**	180
Middle Management	Hour	**165**	162
Frontline and Other Employees	Hour	**150**	148
Average Training Hours Completed per Employee by Gender			
Female	Hour	**165**	152
Male	Hour	**165**	152

B4. Labor Standards

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

2. Operating Practices

B5. Supply Chain Management

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

B6. Product Responsibility

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

The Company has formulated policies for finance leasing business to standardize operation procedures. In 2022, the Company prepare and release business operation guidelines such as product standardization manual, process standardization manual and project lifecycle standardization management manual to improve the quality and consistency of products and services, and identify the responsibilities, rights and interests involved in the business to reduce business risks.

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

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

B7. Anti-corruption

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

We have internally formulated the Management Rules on Anti-bribery (《反賄賂管理制度》), the Management Rules on Anti-Fraud (《反舞弊制度》), the Management Rules on Anti-money Laundering (《反洗錢管理制度》) and the Management Rules on Internal Supervision and Reporting (《內部監督舉報管理辦法》), etc., embedded the anti-corruption concept into the Company's internal policies and focused on crucial areas and stages, so as to promote the strengthening the integrity related risk prevention and control mechanism of the Company and constantly strengthened and improved the anti-corruption and bribery work.

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

Anti-Corruption education activities in 2021:

– Organize on-site learning in the anti-corruption culture base

– Different types of seminar

– Reminding text messages on important holidays

– Democratic life meeting

B8. Community Investment

As a socially responsible company, the Company actively involves in community development and charity activities, and encourages and leads its employees to participate in volunteer services, with real love to help people in need. During the epidemic prevention and control period in Beijing, our employees take the initiative to report to the community, obey the community command, and strengthen the grassroots epidemic prevention and control force.

During the Reporting Period, when the epidemic constantly impacted the real economy, the Company practiced its social responsibility, implemented the financial support policy of "reducing fees and yielding profits", adopted a number of measures such as waiving period interest and penalty interest for customers, and directly surrendered profits of more than RMB1 million to customers during the year to help them overcome the epidemic.

The Company actively responded to the national poverty alleviation strategy by purchasing poverty alleviation products for nearly RMB160,000, which contribute to the development of local industries.

Independent Auditor's Report

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

OPINION

We have audited the consolidated financial statements of Zhongguancun Science-Tech Leasing Co., Ltd. (the "**Company**") and its consolidated structured entities (the "**Group**") set out on pages 150 to 237, which comprise the consolidated statement of financial position as at December 31, 2022, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2022 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board (the "**IASB**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "**Code**") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the PRC, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS (continued)

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

KEY AUDIT MATTERS (continued)

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

KEY AUDIT MATTERS (continued)

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

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

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor’s report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group’s financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Wong Yuen Shan.

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

March 17, 2023

Consolidated Statements of Profit or Loss

For the year ended December 31, 2022
(Expressed in Renminbi ("**RMB**"))

	Note	2022 RMB'000	2021 RMB'000
Interest income		**613,397**	541,367
Advisory fee income		**129,749**	115,576
Revenue	3	**743,146**	656,943
Other net income	4	**15,342**	14,423
Interest expense	5	**(272,493)**	(246,545)
Operating expense	6	**(150,560)**	(129,407)
Impairment losses charged	7	**(49,580)**	(53,004)
Share of gains of associates		**15,136**	19,391
Net foreign exchange gains/(losses)		**109**	(175)
Profit before taxation		**301,100**	261,626
Income tax expense	8	**(74,996)**	(65,709)
Profit for the year		**226,104**	195,917
Attributable to:			
Equity shareholders of the Company		**226,104**	195,917
Profit for the year		**226,104**	195,917
Basic and diluted earnings per share (in RMB)	11	**0.17**	0.15

The notes on pages 158 to 237 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in Note 23(e).

Consolidated Statements of Profit or Loss and Other Comprehensive Income

For the year ended December 31, 2022
(Expressed in RMB)

	Note	2022 RMB'000	2021 RMB'000
Profit for the year		**226,104**	195,917
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)		**235**	349
Total comprehensive income for the year		**226,339**	196,266
Attributable to:			
Equity shareholders of the Company		**226,339**	196,266
Total comprehensive income for the year		**226,339**	196,266

The notes on pages 158 to 237 form part of these financial statements.

Consolidated Statements of Financial Position

As at December 31, 2022
(Expressed in RMB)

	Note	December 31, 2022 RMB'000	December 31, 2021 RMB'000
Non-current assets			
Property and equipment	13	36,350	42,265
Intangible assets	14	15,829	13,574
Loans and receivables	15	4,222,292	3,778,745
Financial assets at fair value through other comprehensive income	16	12,299	11,986
Financial assets at fair value through profit and loss		33,181	1,000
Interest in associates	17	190,689	116,219
Other assets	18	267	634
Deferred tax assets	19(b)	75,843	66,638
		4,586,750	4,031,061
Current assets			
Loans and receivables	15	5,597,360	4,694,087
Other assets	18	42,044	34,081
Pledged and restricted deposits		53,754	19,231
Cash and cash equivalents	20	634,987	650,163
		6,328,145	5,397,562
Current liabilities			
Borrowings	21	3,890,411	2,831,819
Income tax payable	19(a)	18,142	32,144
Trade and other liabilities	22	1,263,411	1,073,230
		5,171,964	3,937,193
Net current assets		1,156,181	1,460,369
Total assets less current liabilities		5,742,931	5,491,430
Non-current liabilities			
Borrowings	21	2,504,824	2,539,257
Trade and other liabilities	22	1,017,687	898,092
		3,522,511	3,437,349

The notes on pages 158 to 237 form part of these financial statements.

Consolidated Statements of Financial Position

As at December 31, 2022
(Expressed in RMB)

	Note	December 31, 2022 RMB'000	December 31, 2021 RMB'000
NET ASSETS		**2,220,420**	2,054,081
CAPITAL AND RESERVES	23		
Share capital		**1,333,334**	1,333,334
Reserves		**887,086**	720,747
Total equity attributable to equity shareholders of the Company		**2,220,420**	2,054,081
TOTAL EQUITY		**2,220,420**	2,054,081

Approved and authorised for issue by the board of directors on March 17, 2023.

ZHANG Shuqing
Director

HE Rongfeng
General manager

The notes on pages 158 to 237 form part of these financial statements.

Consolidated Statements of Changes in Equity

For the year ended December 31, 2022
(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, 2022		1,333,334	331,149	49,552	1,959	110,470	227,617	2,054,081
Changes in equity for 2022:								
Profit for the year		–	–	–	–	–	226,104	226,104
Other comprehensive income		–	–	–	235	–	–	235
Total comprehensive income		–	–	–	235	–	226,104	226,339
Appropriation to statutory reserve	23(d)(i)	–	–	22,607	–	–	(22,607)	–
Dividends approved in respect of the previous year	23(e)	–	–	–	–	–	(60,000)	(60,000)
At December 31, 2022		1,333,334	331,149	72,159	2,194	110,470	371,114	2,220,420

The notes on pages 158 to 237 form part of these financial statements.

Consolidated Statements of Changes in Equity

For the year ended December 31, 2022
(Expressed in RMB)

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

The notes on pages 158 to 237 form part of these financial statements.

Consolidated Cash Flows Statements

For the year ended December 31, 2022
(Expressed in RMB)

	Note	2022 RMB'000	2021 RMB'000
Operating activities			
Profit before taxation		**301,100**	261,626
Adjustments for:			
Share of gains of associates		**(15,383)**	(19,391)
Interest expense	5	**211,365**	189,177
Impairment losses charged	7	**49,580**	53,004
Depreciation and amortisation	6(b)	**19,589**	19,131
Other expenses		**16,014**	11,414
Foreign exchange (gains)/losses		**(101)**	165
Operating profit before changes in working capital		**582,164**	515,126
Changes in working capital			
Increase/(decrease) in pledged and restricted deposits		**(34,523)**	118,599
Increase in loans and receivables		**(1,407,023)**	(1,143,748)
(Increase)/decrease in trade and other receivables		**(5,635)**	34,267
Increase/(decrease) in trade and other liabilities		**292,396**	(127,264)
Cash used in operations		**(572,621)**	(603,020)
PRC income taxes paid	19(a)	**(98,281)**	(73,414)
Net cash used in operating activities		**(670,902)**	(676,434)
Investing activities			
Proceeds from disposal and redemption of investments		**23,793**	281
Payments on investment in associates		**(82,880)**	(24,500)
Payments on acquisition of investments		**–**	(1,000)
Payment for purchase of equipment and intangible assets		**(9,130)**	(5,567)
Net cash used in investing activities		**(68,217)**	(30,786)

The notes on pages 158 to 237 form part of these financial statements.

Consolidated Cash Flows Statements

For the year ended December 31, 2022
(Expressed in RMB)

	Note	2022 RMB'000	2021 RMB'000
Financing activities			
Proceeds from borrowings	20(b)	**6,023,675**	5,703,456
Capital element of lease rentals paid	20(b)	**(16,776)**	(9,175)
Repayment of borrowings	20(b)	**(5,000,091)**	(4,479,681)
Interest element of lease rentals paid	20(b)	**(1,665)**	(1,206)
Interest paid	20(b)	**(205,769)**	(194,932)
Other borrowing costs paid	20(b)	**(15,439)**	(16,342)
Dividends paid to equity shareholders of the Company	23(e)	**(60,000)**	(58,000)
Net cash generated from financing activities		**723,935**	944,120
Foreign exchange gain/(loss)		**8**	(10)
Net (decrease)/increase in cash and cash equivalents		**(15,176)**	236,890
Cash and cash equivalents at the beginning of the year		**650,163**	413,273
Cash and cash equivalents at the end of the year	20(a)	**634,987**	650,163

The notes on pages 158 to 237 form part of these financial statements.

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended December 31, 2022 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 the financial assets at fair value through other comprehensive income ("**FVOCI**") and the financial asset measured at fair value through profit and loss ("**FVTPL**"), are stated at fair value as explained in Note 1(i).

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Changes in accounting policies

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

- Amendments to IFRS 3, *Reference to the conceptual framework*
- Amendments to IAS 16, *Property, plant and equipment: Proceeds before intended use*
- Amendment to IAS 37, *Provisions, contingent liabilities and contingent assets: Onerous contracts – cost of fulfilling a contract*
- Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41, *Annual improvements to IFRS standards 2018-2020*

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

(d) Subsidiaries and non-controlling interests

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Associates

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

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

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

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

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.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Associates (continued)

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	5 years
– Office equipment	5 years
– Others	5 years

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

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Intangible assets

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

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

	Estimate useful lives
Software	5 – 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.

(Expressed in RMB unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Leased assets (continued)

(i) As a lessee (continued)

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.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Leased assets (continued)

(i) As a lessee (continued)

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.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 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.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Financial instruments (continued)

(ii) Classification and subsequent measurement (continued)

Classification of financial assets (continued)

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.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Financial instruments (continued)

(ii) Classification and subsequent measurement (continued)

Subsequent measurement of financial assets (continued)

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.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Financial instruments (continued)

(iii) Derecognition (continued)

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).

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Financial instruments (continued)

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

Measurement of ECLs (continued)

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

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

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

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

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Financial instruments (continued)

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

Measurement of ECLs (continued)

ECLs are measured on either of the following bases:

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

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

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

Significant increases in credit risk

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

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Financial instruments (continued)

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

Significant increases in credit risk (continued)

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

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

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

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

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

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

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

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.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Financial instruments (continued)

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

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.

(Expressed in RMB unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Fair value measurement

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

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Trade and other receivables

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

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

(l) Cash and cash equivalents

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

(m) Trade and other payables

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

(n) Interest-bearing borrowings

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

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Impairment of non-financial assets

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

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

– intangible assets; and

– interest in associates.

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

– ***Calculation of recoverable amount***

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

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

– *Recognition of impairment losses*

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

– *Reversals of impairment losses*

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

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

(p) Employee benefits

(i) Short-term employee benefits

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

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Employee benefits (continued)

(ii) Defined contribution plans

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

(iii) Termination benefits

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

(iv) Share-based payment arrangements

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

(q) Income tax

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

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Income tax (continued)

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

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

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax assets can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

(Expressed in RMB unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Income tax (continued)

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company and the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Company and the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

  – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Provisions and contingent liabilities

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

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

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

(s) Revenue and other income

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

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)).

(Expressed in RMB unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Revenue and other income (continued)

(ii) Advisory fee income

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

(iii) Government grants

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

(t) Translation of foreign currencies

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

(u) Borrowing costs

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

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Related parties

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

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) One entity is an associate of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) Both entities are joint ventures of the same third party;

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) The entity is controlled or jointly controlled by a person identified in (a);

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) Segment reporting

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

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

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

2 ACCOUNTING JUDGEMENT AND ESTIMATES

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

– Note 1(i)(ii): classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are SPPI on the principal amount outstanding.

– Note 1(i)(v): establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining methodology for incorporating forward-looking information into measurement of ECL and selection and approval of models used to measure ECL.

– Deferred tax assets arising from deductible temporary differences are recognised to the extent that it is probable that future taxable income will be available against which deductible temporary differences and tax losses can be utilised. The outcome of their actual utilisation may be different.

2 ACCOUNTING JUDGEMENT AND ESTIMATES (continued)

– The Group uses valuation techniques to estimate the fair value of financial instruments which are not quoted in an active market. 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, 2022 and 2021, 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	**2022** **RMB'000**	2021 RMB'000
Interest income			
– Finance lease receivables		**35,489**	52,162
– Sale-and-lease back transactions		**538,767**	487,829
– Intellectual property lease transactions		**39,141**	1,376
Advisory fee income	(i)		
– Management advisory fee income		**38,899**	38,968
– Policy advisory fee income		**90,850**	76,608
		743,146	656,943

Note:

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

(Expressed in RMB unless otherwise indicated)

4 OTHER NET INCOME

	Note	2022 RMB'000	2021 RMB'000
Interest from deposits		**4,428**	5,885
Government grants	(i)	**5,426**	5,490
Income from a related party		**4,260**	2,575
Changes in fair value of FVTPL		**612**	–
Investment income		**247**	281
Others		**369**	192
		15,342	14,423

Note:

(i) The government grants were mainly provided to reward enterprises who provide financing support to small and medium business and enterprises in cultural industry. The grants were unconditional and were therefore recognised as income when received.

5 INTEREST EXPENSE

	2022 RMB'000	2021 RMB'000
Borrowings	**192,471**	146,155
Borrowings from related parties	**17,229**	41,816
Imputed interest expense on interest-free guaranteed deposits from lessees	**61,128**	57,368
Interest expense on lease liabilities	**1,665**	1,206
	272,493	246,545

(Expressed in RMB unless otherwise indicated)

6 OPERATING EXPENSE

Profit before taxation is arrived at after charging:

(a) Staff costs

	Note	2022 RMB'000	2021 RMB'000
Salaries, bonuses and allowances		65,713	51,933
Social insurance and other benefits		22,188	19,139
Cash-settled share-based payments	24(d)	(306)	913
Subtotal		87,595	71,985

(b) Other items

	2022 RMB'000	2021 RMB'000
Depreciation charge		
– owned equipment	748	681
– right-of-use assets	13,485	14,564
Amortisation cost of		
– intangible assets	4,989	3,518
– others	367	368
Auditor's remuneration	2,453	2,453
Other rental expenses	2,309	2,207

7 IMPAIRMENT LOSSES CHARGED

	Note	2022 RMB'000	2021 RMB'000
Loans and receivables	15(c)	49,246	53,072
Credit commitments	22(a)	334	(68)
		49,580	53,004

(Expressed in RMB unless otherwise indicated)

8 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

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

	Note	2022 RMB'000	2021 RMB'000
Current tax			
– PRC Enterprise Income Tax ("**EIT**") Provision for the year		**84,279**	79,239
Deferred income tax			
– Origination of temporary differences	19(b)	**(9,283)**	(13,530)
		74,996	65,709

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

	Note	2022 RMB'000	2021 RMB'000
Profit before taxation		**301,100**	261,626
Notional tax on profit before taxation, calculated at the rates applicable in the jurisdictions concerned	(i)	**75,275**	65,407
Tax effect of non-deductible expenses		**219**	242
Others		**(498)**	60
Income tax expense for the year		**74,996**	65,709

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

	2022					
	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						
Zhang Shuqing (張書清)	–	–	–	–	–	–
Lou Yixiang (婁毅翔)	–	–	–	–	–	–
Du Yunchao (杜雲超)	–	–	–	–	–	–
Duan Hongwei (段宏偉) (resigned on November 16, 2022)	–	–	–	–	34	34
Executive directors						
He Rongfeng (何融峰)	–	578	960	–	34	1,572
Huang Wen (黃聞)	–	831	300	–	27	1,158
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)	–	–	–	–	–	–
Kan Wei (闞巍)	–	–	–	–	–	
Tong Chao (佟超)	–	620	300	–	–	920
Zhou Di (周迪)	–	663	144	–	–	807
Han Nana (韓娜娜)	–	352	129	–	–	481
Total	–	3,494	1,833	–	95	5,422

(Expressed in RMB unless otherwise indicated)

9 DIRECTORS' AND SUPERVISORS' REMUNERATION (continued)

	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

10 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, there were two directors (2021: two) of the Group for the year ended December 31, 2022, whose emoluments are disclosed in Note 9. The aggregate of the emoluments in respect of the other three (2021: three) individuals are as follows:

	2022 RMB' 000	2021 RMB'000
Salaries, allowances and benefits in kind	**2,904**	2,324
Discretionary bonuses	**900**	1,140
Cash-settled share-based payment	**81**	115
Total	**3,885**	3,579

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

	2022 Number of individuals	2021 Number of individuals
HKD1,000,001 – HKD1,500,000	**3**	2
HKD1,500,001 – HKD2,000,000	**–**	1

(Expressed in RMB unless otherwise indicated)

11 BASIC AND DILUTED EARNINGS PER SHARE

	2022	2021
Profit attributable to equity shareholders of the Company (RMB'000)	**226,104**	195,917
Weighted average number of ordinary shares (in thousands)	**1,333,334**	1,333,334
Basic and diluted earnings per share attributable to equity shareholders of the Company (in RMB per share)	**0.17**	0.15

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, 2022 and 2021.

Weighted average number of ordinary shares (in thousands)

	2022	2021
Number of ordinary shares as at January 1	**1,333,334**	1,333,334
Increase in weighted average number of ordinary shares	**–**	–
Weighted average number of ordinary shares at December 31	**1,333,334**	1,333,334

12 OTHER COMPREHENSIVE INCOME

	2022			2021		
	Before-tax amount RMB'000	Tax expense RMB'000	Net-of-Tax amount RMB'000	Before-tax amount RMB'000	Tax expense RMB'000	Net-of-Tax amount RMB'000
Equity investments at FVOCI: net movement in fair value reserve (non-recycling)	**313**	**(78)**	**235**	465	(116)	349

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, 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/ January 1, 2022	50,201	3,976	1,152	1,159	56,488
Additions	5,489	2,905	6	–	8,400
Disposals	–	(141)	(196)	–	(337)
As at December 31, 2022	55,690	6,740	962	1,159	64,551
Accumulated depreciation					
As at 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/ January 1, 2022	(11,069)	(1,885)	(740)	(529)	(14,223)
Charge for the year	(13,050)	(606)	(120)	(457)	(14,233)
Written back on disposals	–	83	172	–	255
As at December 31, 2022	(24,119)	(2,408)	(688)	(986)	(28,201)
Net carrying amount					
As at December 31, 2022	31,571	4,332	274	173	36,350
As at December 31, 2021	39,132	2,091	412	630	42,265

(Expressed in RMB unless otherwise indicated)

14 INTANGIBLE ASSETS

	December 31, 2022 RMB'000	December 31, 2021 RMB'000
Cost		
At the beginning of the year	**21,193**	14,406
Additions	**7,244**	6,787
At the end of the year	**28,437**	21,193
Accumulated amortisation		
At the beginning of the year	**(7,619)**	(4,101)
Charge for the year	**(4,989)**	(3,518)
At the end of the year	**(12,608)**	(7,619)
Carrying amount		
At the beginning of the year	**13,574**	10,305
At the end of the year	**15,829**	13,574

Intangible assets mainly represent software.

15 LOANS AND RECEIVABLES

	Note	December 31, 2022 RMB'000	December 31, 2021 RMB'000
Minimum finance lease receivables			
Within one year		**568,604**	523,767
More than one year and not more than five years		**391,241**	216,625
Gross amount of finance lease receivables		**959,845**	740,392
Less: Unearned finance income		**(81,901)**	(50,160)
Net amount of finance lease receivables		**877,944**	690,232
Receivables from sale-and-leaseback transactions	(i)	**8,252,886**	7,812,185
Receivables from intellectual property lease transactions		**973,494**	205,841
Loans and receivables		**10,104,324**	8,708,258
Less:			
Provision for finance lease receivables		**(136,557)**	(105,829)
Provision for receivables from sale-and-leaseback transactions		**(139,932)**	(128,885)
Provision for intellectual property lease transactions		**(8,183)**	(712)
Provision for loans and receivables		**(284,672)**	(235,426)
Total		**9,819,652**	8,472,832

Note:

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

(Expressed in RMB unless otherwise indicated)

15 LOANS AND RECEIVABLES (continued)

Analysis for reporting purpose as:

	December 31, 2022 RMB'000	December 31, 2021 RMB'000
Non-current assets	**4,222,292**	3,778,745
Current assets	**5,597,360**	4,694,087
Total	**9,819,652**	8,472,832

The loans and receivables with net amount of approximately RMB3,219.9 million and RMB2,604.9 million were pledged as collaterals for the Group's loan borrowings as at December 31, 2022 and 2021, respectively (see Note 21(i)).

The loans and receivables with net amount of approximately RMB1,427.9 million and RMB1,514.8 million were pledged as collaterals for the Group's asset-backed securities as at December 31, 2022 and 2021, respectively (see Note 21(ii)). The loans and receivables with net amount of approximately RMB1,203.9 million and RMB1,073.2 million were pledged as collaterals for the Group's asset-backed notes as at December 31, 2022 and 2021, respectively (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, 2022, the lessees' deposits of RMB1,209.3 million were pledged for related loans and receivables (December 31, 2021: RMB1,076.0 million), see Note 22.

15 LOANS AND RECEIVABLES (continued)

(a) Present value of minimum finance lease receivables:

	December 31, 2022 RMB'000	December 31, 2021 RMB'000
Not more than one year	**512,227**	483,829
More than one year and not later than five years	**365,717**	206,403
Total	**877,944**	690,232

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

	December 31, 2022			
	12-month ECL	**Lifetime ECL not credit-impaired**	**Lifetime ECL credit-impaired**	**Total**
Net amount of loans and receivables	**9,564,672**	**34,027**	**505,625**	**10,104,324**
Less: Allowances for impairment losses	**(33,862)**	**(524)**	**(250,286)**	**(284,672)**
Carrying amount of loans and receivables	**9,530,810**	**33,503**	**255,339**	**9,819,652**

	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

(Expressed in RMB unless otherwise indicated)

15 LOANS AND RECEIVABLES (continued)

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

	December 31, 2022			
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Balance at January 1, 2022	**44,075**	**28**	**191,323**	**235,426**
Transfer:				
– to lifetime ECL not credit-impaired	**(221)**	**221**	**–**	**–**
– to lifetime ECL credit-impaired	**(1,233)**	**–**	**1,233**	**–**
Charge	**(8,759)**	**275**	**57,730**	**49,246**
Balance at December 31, 2022	**33,862**	**524**	**250,286**	**284,672**

	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

(Expressed in RMB unless otherwise indicated)

16 FINANCIAL ASSETS AT FVOCI

	Note	**December 31, 2022 RMB'000**	December 31, 2021 RMB'000
Equity securities designated at FVOCI (non-recycling)			
– Unlisted equity securities	(i)	**12,299**	11,986

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 RMB0.2 million were received on this investment in 2022 (2021: RMB0.3 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	RMB3.0 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	RMB152.0 million	49%	49%	Investment management
Beijing Zhongnuo Foresight Innovation Investment Fund Center (Limited Partnership) (北京中諾遠見創新投資基金中心(有限合夥),"**Zhongnuo Foresight**")	Partnership	PRC	RMB200.4 million	40%	40%	Investment management
Shenzhen Zhongke Zhiyi Industrial Investment Co., Ltd (深圳中科知易產業投資有限公司,"**Zhongke Zhiyi**")	Incorporated	PRC	RMB2.0 million	35%	35%	Advisory service
Zhongguancun Lingyan (Hangzhou) Private Equity Fund Co., Ltd (中關村領雁(杭州)私募基金有限公司),"**Lingyan (Hangzhou)**")	Incorporated	PRC	RMB2.0 million	35%	35%	Advisory service
Zhongguancun Huizhi (Suzhou) Enterprise Management Co., Ltd (中關村匯志(蘇州)企業管理有限公司),"**Huizhi (Suzhou)**")	Incorporated	PRC	RMB0.7 million	35%	35%	Advisory service

(Expressed in RMB unless otherwise indicated)

17 INTEREST IN ASSOCIATES (continued)

Beijing Zhongnuo was established in the PRC on April 23, 2019, of which the registered capital was RMB10.0 million. Jiangsu Zhongnuo was established in the PRC on November 11, 2019, of which the registered capital was RMB200.0 million. Zhongnuo Foresight was established in the PRC on May 6, 2022, of which the registered capital was RMB500.0 million. Zhongke Zhiyi was established in the PRC on August 29, 2022, of which the registered capital was RMB4.0 million. Lingyan (Hangzhou) was established in the PRC on September 14, 2022, of which the registered capital was RMB4.0 million. Huizhi (Suzhou) was established in the PRC on November 2, 2022, of which the registered capital was RMB4.0 million. These investments enabled the Group to carry out investment management and advisory service 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:

	Jiangsu Zhongnuo		Zhongnuo Foresight
	2022	2021	**2022**
	RMB'000	RMB'000	**RMB'000**
Gross amount of the associate			
Total assets	**221,603**	235,596	**197,808**
Total liabilities	**(1)**	(2)	**–**
Net assets	**221,602**	235,594	**197,808**
Revenue	**834**	792	**848**
(Loss)/profit for the year	**19,068**	39,588	**(2,592)**
Reconciled to the Group's interests in the associates			
Gross amounts of net assets of the associate	**221,602**	235,594	**197,808**
Group's effective interest	**49%**	49%	**40%**
Group's share of net assets of the associate	**108,585**	115,441	**78,962**
Carrying amount in the consolidated financial statements	**108,585**	115,441	**78,962**

17 INTEREST IN ASSOCIATES (continued)

Aggregate information of associates that are not individually material:

	2022 RMB'000	2021 RMB'000
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	**3,141**	778
Aggregate amounts of the group's share of those associates'		
Profit from continuing operations	**(517)**	8
Post-tax profit or loss from discontinued operations	**–**	–
Other comprehensive income	**–**	–
Total comprehensive income	**(517)**	8

18 OTHER ASSETS

	Note	December 31, 2022 RMB'000	December 31, 2021 RMB'000
Non-current assets			
Other assets		**267**	634
Current assets			
Deductible value-added tax (VAT)		**27,011**	22,239
Due from related parties	27(c)	**7,845**	3,108
Advance payments		**6,782**	6,319
Notes receivable		**–**	1,400
Other receivables		**406**	1,015
		42,044	34,081
Total		**42,311**	34,715

(Expressed in RMB unless otherwise indicated)

19 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Income tax payable

	December 31, 2022 RMB'000	December 31, 2021 RMB'000
At the beginning of the year	32,144	26,319
Provision for income tax for the year	84,279	79,239
Income tax paid	(98,281)	(73,414)
At the end of the year	18,142	32,144

(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, 2022 and 2021 are as follows:

Deferred tax arising from:	Revaluation of FVOCI RMB'000	Revaluation of FVTPL RMB'000	Revenue with EIT paid in prior years RMB'000	Revaluation of Equity Investments RMB'000	Allowance for impairment losses RMB'000	Accrued staff costs RMB'000	Total RMB'000
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/ January 1, 2022	(2,246)	–	8,873	(4,850)	58,864	5,997	66,638
Charged to profit or loss	–	(153)	542	(3,424)	12,395	(77)	9,283
Charged to other comprehensive income	(78)	–	–	–	–	–	(78)
December 31, 2022	(2,324)	(153)	9,415	(8,274)	71,259	5,920	75,843

20 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	December 31, 2022 RMB'000	December 31, 2021 RMB'000
Deposits with banks	**634,987**	650,163
Cash and cash equivalents	**634,987**	650,163

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

20 CASH AND CASH EQUIVALENTS (continued)

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

	Borrowings RMB'000	Lease liabilities RMB'000	Interest payable RMB'000	Total RMB'000
As at 1 January 2022	5,371,076	40,484	18,194	5,429,754
Changes from financing cash flows:				
Capital element of lease rentals paid	–	(16,776)	–	(16,776)
Proceeds from borrowings	6,023,675	–	–	6,023,675
Repayment of borrowings	(5,000,091)	–	–	(5,000,091)
Interest element of lease rentals paid	–	(1,665)	–	(1,665)
Interest paid	–	–	(205,769)	(205,769)
Other borrowing costs paid	(15,439)	–	–	(15,439)
Other changes:				
Increase in lease liabilities from entering into new leases during the year	–	5,285	–	5,285
Interest expense	–	1,665	209,700	211,365
Other borrowing costs	15,439	–	–	15,439
Interest adjustment for asset-backed securities	575	–	–	575
As at 31 December 2022	6,395,235	28,993	22,125	6,446,353

(c) Total cash outflow for leases

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

	2022 RMB'000	2021 RMB'000
Within operating cash flows	1,066	872
Within financing cash flows	18,441	10,381
	19,507	11,253

21 BORROWINGS

	Note	**December 31, 2022 RMB'000**	December 31, 2021 RMB'000
Bank loans			
– pledged	(i)	**1,628,795**	1,248,758
– unsecured		**1,168,643**	904,348
Borrowings from related parties			
– pledged	(i)	**1,000,000**	900,000
Asset-backed securities	(ii)	**2,597,797**	2,317,970
		6,395,235	5,371,076

Analysis for reporting purpose as:

	December 31, 2022 RMB'000	December 31, 2021 RMB'000
Non-current liabilities	**2,504,824**	2,539,257
Current liabilities	**3,890,411**	2,831,819
	6,395,235	5,371,076

Notes:

(i) As at December 31, 2022, loans amounting to RMB2,628.8 million were pledged by loans and receivables (December 31, 2021: RMB2,148.8 million) (see Note 15).

(ii) On December 27, 2022, the Company issued asset-backed securities with two tranches: senior tranche Class A with principal amount of RMB66.0 million, coupon rate of 4.00% and an expected maturity date on March 20, 2024; senior tranche Class B with principal amount of RMB20.0 million, coupon rate of 4.00% and an expected maturity date on September 20, 2024; junior tranche with principal amount of RMB5.0 million and an expected maturity date on September 20, 2024. The Company holds senior tranche Class A with principal amount of RMB5.8 million, all senior tranche Class B and all junior tranche asset-backed securities.

On November 22, 2022, the Company issued asset-backed medium-term notes with two tranches: senior tranche Class A with principal amount of RMB625.0 million, coupon rate of 3.70% and an expected maturity date on November 20, 2024; senior tranche Class B with principal amount of RMB150.0 million, coupon rate of 3.65% and an expected maturity date on February 20, 2025; junior tranche with principal amount of RMB45.0 million and an expected maturity date on February 20, 2025. The Company holds all junior tranche asset-backed notes.

21 BORROWINGS (continued)

Notes: (continued)

(ii) (continued)

On September 20, 2022, the Company issued asset-backed securities with two tranches: senior tranche Class A with principal amount of RMB375.0 million, coupon rate of 3.00% and an expected maturity date on April 22, 2024; senior tranche Class B with principal amount of RMB100.0 million, coupon rate of 3.20% and an expected maturity date on October 21, 2024; junior tranche with principal amount of RMB25.0 million and an expected maturity date on October 21, 2024. The Company holds all junior tranche asset-backed securities.

On August 10, 2022, the Company issued asset-backed securities with two tranches: senior tranche Class A with principal amount of RMB73.0 million, coupon rate of 2.80% and an expected maturity date on June 20, 2023; senior tranche Class B with principal amount of RMB28.0 million, coupon rate of 3.00% and an expected maturity date on December 20, 2023; junior tranche with principal amount of RMB6.0 million and an expected maturity date on December 20, 2023. The Company holds senior tranche Class B with principal amount of RMB14.0 million, and all junior tranche asset-backed securities.

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 three 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 notes.

On August 24, 2021 the Company issued asset-backed securities with three 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 three 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.

(Expressed in RMB unless otherwise indicated)

21 BORROWINGS (continued)

As at December 31, 2022, the borrowings were repayable as follows:

	2022 RMB'000	2021 RMB'000
Within one year	**3,890,411**	2,831,819
After 1 year but within 2 years	**1,403,339**	2,363,754
After 2 years but within 5 years	**1,101,485**	175,503
	6,395,235	5,371,076

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

	December 31, 2022	December 31, 2021
Range of interest rates:	**3.65%-4.75%**	3.79%-5.23%

(Expressed in RMB unless otherwise indicated)

22 TRADE AND OTHER LIABILITIES

	Note	December 31, 2022 RMB'000	December 31, 2021 RMB'000
Current liabilities			
Notes payable		**646,756**	528,474
Guaranteed deposits from lessees		**347,811**	323,245
Accounts payable		**134,607**	97,483
VAT to be collected in the following period		**61,930**	58,524
Accrued staff costs	22(c)	**28,544**	26,122
Interest payable		**22,125**	18,194
Lease liabilities	22(b)	**13,135**	12,423
Receipts in advance		**3,096**	3,785
VAT payable and other tax payable		**2,745**	1,105
Other payables		**2,662**	3,875
		1,263,411	1,073,230
Non-current liabilities			
Guaranteed deposits from lessees		**861,439**	752,715
Deferred revenue		**89,909**	91,004
Lease liabilities	22(b)	**19,468**	28,061
VAT to be collected in the following period		**45,861**	25,330
Accrued staff costs	24(a)	**646**	952
Provision for credit commitments	22(a)	**364**	30
		1,017,687	898,092
Total		**2,281,098**	1,971,322

22 TRADE AND OTHER LIABILITIES (continued)

(a) Provision for credit commitments

	2022			
	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, 2022	**30**	**–**	**–**	**30**
Charge	**334**	**-**	**–**	**334**
Balance at December 31, 2022	**364**	**–**	**–**	**364**

	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

(Expressed in RMB unless otherwise indicated)

22 TRADE AND OTHER LIABILITIES (continued)

(b) Lease liabilities

The following table shows the remaining contractual maturities of the Group's lease liabilities at December 31, 2022:

	December 31, 2022		December 31, 2021	
	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	13,135	14,363	12,423	14,006
After 1 year but within 2 years	8,830	9,406	11,555	12,645
After 2 years but within 5 years	10,638	10,978	16,506	17,171
	32,603	34,747	40,484	43,822
Less: total future interest expenses		(2,144)		(3,338)
Present value of lease liabilities		32,603		40,484

(c) Accrued staff costs

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

23 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

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

	Share capital RMB'000 23(b)	Capital reserve RMB'000 23(c)	Surplus reserve RMB'000 23(d)(i)	Fair value reserve RMB'000 23(d)(ii)	General reserve RMB'000 23(d)(iii)	Retained profits RMB'000	Total equity RMB'000
At January 1, 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/January 1, 2022	1,333,334	331,149	49,552	1,959	110,470	227,491	2,053,955
Changes in equity for 2022							
Profit for the year	–	–	–	–	–	226,066	226,066
Other comprehensive income	–	–	–	235	–	–	235
Total comprehensive income	–	–	–	235	–	226,066	226,301
Appropriation to statutory reserve	–	–	22,607	–	–	(22,607)	–
Dividends approved in respect of the previous years	–	–	–	–	–	(60,000)	(60,000)
At December 31, 2022	1,333,334	331,149	72,159	2,194	110,470	370,950	2,220,256

(Expressed in RMB unless otherwise indicated)

23 CAPITAL, RESERVES AND DIVIDENDS (continued)

(b) Share capital

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

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

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

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

(c) Capital reserve

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

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

23 CAPITAL, RESERVES AND DIVIDENDS (continued)

(d) Reserves

(i) Surplus reserve

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

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

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

(ii) Fair value reserve (non-recycling)

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

(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.

23 CAPITAL, RESERVES AND DIVIDENDS (continued)

(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 17, 2023, the profit distributed in cash by the Company to its equity shareholders amounted to RMB80.0 million (2021: RMB60.0 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 2022 was RMB60.0 million (2021: RMB58.0 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:

	2022 RMB'000	2021 RMB'000
Total carrying amount of liabilities for SARs	**646**	952
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:

	2022	2021
Fair value at measurement date (in RMB)	**0.06**	0.09
Share price (in HKD)	**0.7**	0.8
Exercise price (in RMB)	**1**	1
Expected volatility	**33.96%**	35.39%
Expected life (year)	**3.0**	4.0
Expected dividends	**0%**	0%
Risk-free interest rate	**4.26%**	1.25%

(Expressed in RMB unless otherwise indicated)

24 SHARE-BASED PAYMENT ARRANGEMENTS (continued)

(b) Measurement of fair values (continued)

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, 2022	12,670,000	RMB1
Forfeited during the year	(8,446,667)	RMB1
Outstanding at December 31, 2022	4,223,333	RMB1
Exercisable at December 31, 2022	–	–

The SARs outstanding at December 31, 2022 had an exercise price of RMB1 and a remaining contractual life of 3 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, 2022 RMB'000	December 31, 2021 RMB'000
Cash and cash equivalents	**634,987**	650,163
Pledged and restricted deposits	**53,754**	19,231
Loans and receivables	**10,104,324**	8,708,258
Notes and other receivables	**8,251**	5,523
Total	**10,801,316**	9,383,175

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).

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

(a) Credit risk (continued)

(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, 2022, 1.51% of the total net amounts of loans and receivables was due from the Group's largest customer (December 31, 2021: 1.54%), and 5.52% of the total net amounts of loans and receivables was due from the Group's five largest customers (December 31, 2021: 5.75%).

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.

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

(a) Credit risk (continued)

(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.

(Expressed in RMB unless otherwise indicated)

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

(a) Credit risk (continued)

(ii) Risk limits management and mitigation measures (continued)

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, 2022		December 31, 2021	
	RMB'000	**%**	RMB'000	%
Intelligent manufacturing	**3,072,905**	**28%**	1,956,225	21%
ECO-solutions	**2,762,787**	**26%**	3,033,358	33%
Life sciences & healthcare	**1,988,957**	**18%**	1,870,665	20%
Internet-based products & services	**1,518,211**	**14%**	1,266,527	13%
Big data	**1,326,230**	**12%**	980,000	10%
Others	**203,412**	**2%**	281,621	3%
Total	**10,872,502**	**100%**	9,388,396	100%

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

(a) Credit risk (continued)

(ii) Risk limits management and mitigation measures (continued)

Concentration risk of credit exposure (continued)

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

	December 31, 2022		December 31, 2021	
	RMB'000	%	RMB'000	%
North China	4,485,957	41%	4,029,551	43%
East China	3,272,153	30%	2,614,658	28%
South China	1,057,926	10%	574,227	6%
Central China	929,621	9%	953,682	10%
Northwest	470,723	4%	516,561	6%
Northeast	401,009	4%	403,847	4%
Southwest	255,113	2%	295,870	3%
Total	10,872,502	100%	9,388,396	100%

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

	December 31, 2022			
	Stage 1	Stage 2	Stage 3	Total
Loans and receivables	0.35%	1.54%	49.50%	2.82%

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

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

(a) Credit risk (continued)

(ii) Risk limits management and mitigation measures (continued)

Concentration risk of credit exposure (continued)

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

	December 31, 2022 RMB'000	December 31, 2021 RMB'000
12-month ECL balance	**9,564,672**	8,312,446
Lifetime ECL not credit-impaired balance		
– Not overdue	**6,435**	2,238
– Less than 1 month (inclusive)	**5,438**	–
– 1 to 3 months (inclusive)	**22,154**	481
Lifetime ECL credit-impaired	**505,625**	393,093
Net amount of loans and receivables	**10,104,324**	8,708,258
Less: Allowances for impairment losses	**(284,672)**	(235,426)
Total	**9,819,652**	8,472,832

(b) Market risk

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

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

(b) Market risk (continued)

(i) Currency risk

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

The directors consider the Group's exposure to foreign currency risk is not significant for 2022 as the foreign currency balance of the Group at the end of the reporting period is immaterial.

(ii) Interest rate risk

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

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

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

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

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

(b) Market risk (continued)

(ii) Interest rate risk (continued)

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

The following table illustrates the potential impact of a parallel upward or downward shift of 100 basis points in all financial instruments' yield rate on the Group's retained profits, based on the Group's positions of interest-generating assets and interest-bearing liabilities at the end of at December 31, 2022.

	2022 **RMB'000**	2021 RMB'000
Retained profits		
+ 100 basis points	**11,661**	12,743
– 100 basis points	**(11,661)**	(12,743)

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

(c) Liquidity risk

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

	Indefinite/ overdue/ on demand RMB'000	Within 1 month RMB'000	1 to 3 months RMB'000	3 months to 1 year RMB'000	1 to 5 years RMB'000	Total RMB'000
December 31, 2022						
Cash and cash equivalent	634,987	–	–	–	–	634,987
Pledged and restricted deposits	–	–	–	53,754	–	53,754
Loans and receivables	428,736	375,007	1,223,872	4,353,297	4,491,590	10,872,502
Financial assets at FVOCI	12,299	–	–	–	–	12,299
Financial assets at FVTPL	33,181	–	–	–	–	33,181
Other assets – notes and other receivables	4,526	–	–	–	3,725	8,251
Total financial assets	1,113,729	375,007	1,223,872	4,407,051	4,495,315	11,614,974
Borrowings	–	328,132	689,170	2,879,013	2,505,887	6,402,202
Trade and other liabilities	594	110,555	239,906	829,241	976,171	2,156,467
Lease liabilities	–	49	3,656	10,658	20,384	34,747
Total financial liabilities	594	438,736	932,732	3,718,912	3,502,442	8,593,416
Net exposure	1,113,135	(63,729)	291,140	688,139	992,873	3,021,558

(Expressed in RMB unless otherwise indicated)

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

(c) Liquidity risk (continued)

	Indefinite/ overdue/ on demand RMB'000	Within 1 month RMB'000	1 to 3 months RMB'000	3 months to 1 year RMB'000	1 to 5 years RMB'000	Total RMB'000
December 31, 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

(Expressed in RMB unless otherwise indicated)

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

(d) Fair values

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

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

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

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

	December 31, 2022			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets at FVOCI	**–**	**–**	**12,299**	**12,299**
Financial assets at FVTPL	**32,181**	**–**	**1,000**	**33,181**
Total	**32,181**	**–**	**13,299**	**45,480**

	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

(Expressed in RMB unless otherwise indicated)

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

(d) Fair values (continued)

For the years ended December 31, 2022 and 2021, 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.

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

(d) Fair values (continued)

Information about Level 3 fair value measurements (continued)

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

	2022 RMB'000	2021 RMB'000
Unlisted equity securities:		
At the beginning of the year	12,986	11,521
Payments on acquisition of investments	–	1,000
Net unrealised gains or losses recognised in other comprehensive income during the year	313	465
At the end of the year	13,299	12,986

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, 2022, the Group's non-cancellable credit commitments amounted to RMB100.0 million (December 31, 2021: RMB5.0 million).

(b) Capital commitments

As at December 31, 2022, the unpaid capital investment against Beijing Zhongnuo (北京中諾), Zhongnuo Foresight (中諾遠見), Zhongke Zhiyi (中科知易), Lingyan (Hangzhou) (領雁(杭州)) and Huizhi (Suzhou) (匯志(蘇州)) was RMB2.3 million, RMB120.0 million, RMB0.7 million, RMB0.7 million and RMB0.7 million (December 31, 2021: RMB3.1 million, nil, nil, nil and nil), respectively. All of the above investees are associates which are accounted for using the equity method in the consolidated financial statements.

(Expressed in RMB unless otherwise indicated)

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 Zhongguancun Software Park Development Co., Ltd.* (北京中關村軟件園發展有限責任公司)	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 Zhongguancun Technology Financing Guarantee Co.,Ltd.* (北京中關村科技融資擔保有限公司)	A company significantly impacted by the controlling shareholder
Beijing Zhongguancun Technology Service Co., Ltd* (北京中關村科技服務有限公司)	A company controlled by the same ultimate controlling party
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
Shenzhen Zhongke Zhiyi Industrial Investment Co., Ltd* (深圳中科知易產業投資有限公司)	An associate of the Company
Zhongguancun Huizhi (Suzhou) Enterprise Management Co., Ltd* (中關村匯志(蘇州)企業管理有限公司)	An associate of the Company
Zhongguancun Lingyan (Hangzhou) Private Equity Fund Co., Ltd* (中關村領雁(杭州)私募基金有限公司)	An associate of the Company

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

27 MATERIAL RELATED PARTY TRANSACTIONS (continued)

(b) Transaction amounts with related parties:

	2022 RMB'000	2021 RMB'000
Trade related		
Repayment of loans and receivables from a related party	639	3,957
Interest income from loans and receivables to a related party	9	167
Non-trade related		
Borrowing related		
Borrowings from a related party	1,100,000	1,200,000
Repayment of borrowings from a related party	1,000,000	1,100,000
Interest expenses arising from borrowings from related parties	17,230	41,816
Lending related		
Decrease of lease prepayment to a related party	–	3,123
Increase of lease prepayment to a related party	3,388	–
Guarantee related		
Increase of guarantees from a related party	255,659	189,857
Payment of guarantee fee to a related party	2,420	1,034
Others		
Payment for the lease of house rental, property management and parking fee to a related party	13,796	9,932
Other income from a related party	4,260	2,575
Payment of other receivables of related parties	3,875	1,136
Increase of deposits for rental	221	433

(Expressed in RMB unless otherwise indicated)

27 MATERIAL RELATED PARTY TRANSACTIONS (continued)

(c) The balances of transactions with related parties:

	Note	December 31, 2022 RMB'000	December 31, 2021 RMB'000
Trade related			
Security deposits payable to a related party		–	912
Loans and receivables from a related party		–	630
Non-trade related			
Borrowing related			
Borrowings payable to a related party	(i)	1,000,000	900,000
Interest payable to a related party	(ii)	1,436	1,304
Lending related			
Lease prepayment to a related party		3,388	–
Guarantee related			
Balance of guarantees received from a related party		796,984	541,325
Others			
Deposits for rental	(iii)	3,329	3,107
Other receivables from a related party		4,516	1
Payable to a related party		32,481	–

Notes:

(i) As at December 31, 2022, this represents long-term borrowings from Zhongguancun Development Group Co., Ltd., which will be due within three years.

(ii) As at December 31, 2022, this represents interest payable to Zhongguancun Development Group Co., Ltd., which will be due within one year.

(iii) As at December 31, 2022, this represents deposits for rental to Zhongguancun Development Group Co., Ltd. and Beijing Zhongguancun Technology Service Co., Ltd., which will be due within three years and five year, respectively.

27 MATERIAL RELATED PARTY TRANSACTIONS (continued)

(d) Transactions with key management personnel

	2022 RMB'000	2021 RMB'000
Key management personnel remuneration	8,422	8,679

28 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	December 31, 2022 RMB'000	December 31, 2021 RMB'000
Non-current assets		
Property and equipment	36,350	42,265
Intangible assets	15,829	13,574
Loans and receivables	4,222,292	3,778,745
Financial assets at fair value through other comprehensive income	12,299	11,986
Financial assets at fair value through profit and loss	33,181	1,000
Interest in associates	190,689	116,219
Other assets	267	634
Deferred tax assets	75,843	66,638
	4,586,750	4,031,061
Current assets		
Loans and receivables	5,597,360	4,694,087
Other assets	56,126	34,081
Pledged and restricted deposits	39,514	18,183
Cash and cash equivalents	634,987	650,163
	6,327,987	5,396,514
Current liabilities		
Borrowings	3,890,411	2,831,819
Income tax payable	18,142	32,144
Trade and other liabilities	1,263,417	1,072,308
	5,171,970	3,936,271

(Expressed in RMB unless otherwise indicated)

28 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION (continued)

	December 31, 2022 RMB'000	December 31, 2021 RMB'000
Net current assets	**1,156,017**	1,460,243
Total assets less current liabilities	**5,742,767**	5,491,304
Non-current liabilities		
Borrowings	**2,504,824**	2,539,257
Trade and other liabilities	**1,017,687**	898,092
	3,522,511	3,437,349
NET ASSETS	**2,220,256**	2,053,955
CAPITAL AND RESERVES		
Share capital	**1,333,334**	1,333,334
Reserves	**886,922**	720,621
TOTAL EQUITY	**2,220,256**	2,053,955

Approved and authorised for issue by the board of directors on March 17, 2023.

ZHANG Shuqing
Director

HE Rongfeng
General manager

29 CONSOLIDATED STRUCTURED ENTITIES

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

As at December 31, 2022, the number of consolidated structured entities of the Group was eight (December 31, 2021: five). As at December 31, 2022, the total assets of the consolidated structured entities amounted to RMB2,724.6 million (December 31, 2021: RMB2,394.5 million).

30 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

(a) The profit distribution plan

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

(b) Change of immediate parent

On September 23, 2022, Beijing Zhongguancun Development Group Co., Ltd (中關村發展集團股份有限公司) ("**ZGC Group**") had reached a share transfer arrangement with Beijing Zhongguancun Finance Group Co., Ltd. (北京中關村科技創業金融服務集團有限公司) ("**ZGC Finance**", a wholly-owned subsidiary of ZGC Group) to transfer its 600 million domestic shares of the Company (representing 45% of the total issued share capital of the Company) to ZGC Finance.

Upon completion of the transfer on January 18, 2023, ZGC Group indirectly hold 48% of the company's issued share capital through ZGC Finance.

(Expressed in RMB unless otherwise indicated)

31 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At December 31, 2022, the directors consider the immediate parent and ultimate controlling party of the Group to be ZGC Group.

32 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED DECEMBER 31, 2022

Up to the date of issue of these financial statements, the IASB has issued a number of new or amended standards, which are not yet effective for the year ended 31 December 2022 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
IFRS 17, *Insurance contracts*	January 1, 2023
Amendments to IAS 1, *Presentation of financial statements: Classification of liabilities as current or non-current*	January 1, 2023
Amendments to IAS 1, *Presentation of financial statements and IFRS Practice Statement 2, Making materiality judgements: Disclosure of accounting policies*	January 1, 2023
Amendments to IAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*	January 1, 2023
Amendments to IAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*	January 1, 2023
Amendments to IFRS 16, *Lease liability in a sale and leaseback*	January 1, 2024
Amendments to IAS 1 (2022), *Non-current liabilities with covenants*	January 1, 2024

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

Definitions

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

"2022 AGM"	the AGM to be held on June 16, 2023
"ABS"	assets-backed securities
"AGM"	annual general meeting of the Company
"Articles" or "Articles of Association"	the articles of association of the Company
"Audit Committee"	the audit committee of the Company
"Beijing SCOMC"	Beijing State-owned Capital Operation and Management Company Limited (北京國有資本運營管理有限公司), a company incorporated under the laws of the PRC with limited liability on December 30, 2008 and also one of the Controlling Shareholders
"Board"	the board of Directors
"Board Committees"	collectively, Audit Committee, Nomination Committee, Remuneration Committee and Risk Control Committee
"Board of Supervisors"	the board of supervisors of the Company
"CG Code"	the "Corporate Governance Code" as contained in Appendix 14 to the Listing Rules
"Chairman"	the chairman of the Board
"Chaoyang SCOMC"	Beijing Chaoyang State Owned Capital Operation and Management Company Limited (北京朝陽國有資本運營管理有限公司), a state-owned enterprise established under the laws of the PRC on May 27, 2009 and also a substantial shareholder of the Company
"China" or "PRC"	the People's Republic of China, which for the purpose of this annual report and for geographical reference only, excludes Hong Kong, Macau and Taiwan
"close associate"	has the meaning ascribed to it in the Listing Rules

Definitions

"Company", "Group" or "we"	Zhongguancun Science-Tech Leasing Co., Ltd. (中關村科技租賃股份有限公司), a joint stock company incorporated under the laws of the PRC with limited liability on August 16, 2019, or its predecessor
"Controlling Shareholder(s)"	has the meaning ascribed thereto under the Listing Rules and unless the context requires otherwise, refers to Beijing SCOMC, ZGC Group and ZGC Finance
"Director(s)"	the director(s) of the Company
"Domestic Shares"	ordinary shares issued by the Company, with a nominal value of RMB1.00, which are subscribed for or credited as paid in RMB
"H Share(s)"	overseas listed foreign shares in the ordinary share capital of the Company with a nominal value of RMB1.00 each, which are subscribed for and traded in HK dollars and listed on the Stock Exchange
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Listing"	listing of the H Shares on the Main Board of the Stock Exchange
"Listing Date"	January 21, 2020, on which the H Shares are listed and from which dealings therein are permitted to take place on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
"Model Code"	the "Model Code for Securities Transactions by Directors of Listed Issuers" set out in Appendix 10 to the Listing Rules
"Nanshan Capital"	Nanshan Group Capital Investment Co., Ltd. (南山集團資本投資有限公司), a company incorporated under the laws of the PRC with limited liability on November 18, 2011 and also a shareholder of Domestic Shares
"Nomination Committee"	the nomination committee of the Company

"PBOC"	People's Bank of China (中國人民銀行), the central bank of the PRC
"Remuneration Committee"	the remuneration committee of the Company
"Risk Control Committee"	the risk control committee of the Company
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) of RMB1.00 each in capital of the Company, comprising the Domestic Shares and the H Shares
"Shareholder(s)"	holder(s) of Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supervisor(s)"	the supervisor(s) of the Company
"Wangjing Development"	Beijing Chaoyang District Wangjing Xinxing Industry Zone Comprehensive Development Company (北京望京新興產業區綜合開發有限公司), a company incorporated under the laws of the PRC with limited liability on July 11, 1994, which is wholly owned by Chaoyang SCOMC and also a shareholder of Domestic Shares
"ZGC Finance"	Beijing Zhongguancun Finance Group Co., Ltd. (北京中關村科技創業金融服務集團有限公司), a company incorporated under the laws of the PRC with limited liability on February 24, 2009 and also one of the Controlling Shareholders
"ZGC Group"	Zhongguancun Development Group Co., Ltd. (中關村發展集團股份有限公司), a company incorporated under the laws of the PRC with limited liability on March 31, 2010 and also one of the Controlling Shareholders
"%"	per cent