**中關村科技租賃股份有限公司**

**ZHONGGUANCUN SCIENCE-TECH LEASING CO., LTD.**

*(a joint stock company incorporated in the People's Republic of China with limited liability)*

**(Stock Code: 1601)**

# ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2023

**FINANCIAL HIGHLIGHTS**

- For the year ended December 31, 2023, the revenue amounted to approximately RMB833.6 million, representing an increase of approximately 12.2% as compared with that of approximately RMB743.1 million for the year ended December 31, 2022.
- For the year ended December 31, 2023, the profit before taxation amounted to approximately RMB346.2 million, representing an increase of approximately 15.0% as compared with that of approximately RMB301.1 million for the year ended December 31, 2022.
- For the year ended December 31, 2023, the profit amounted to approximately RMB259.9 million, representing an increase of approximately 14.9% as compared with that of approximately RMB226.1 million for the year ended December 31, 2022.
- As of December 31, 2023, the total assets amounted to approximately RMB12,414.9 million, representing an increase of approximately 13.7% as compared with that of approximately RMB10,914.9 million as of December 31, 2022.
- As of December 31, 2023, the total shareholders' equity amounted to approximately RMB2,400.2 million, representing an increase of approximately 8.1% as compared with that of approximately RMB2,220.4 million as of December 31, 2022.
- For the year ended December 31, 2023, the return on average equity was 11.2%.
- For the year ended December 31, 2023, the return on average assets was 2.2%.
- The Board recommends the payment of a final dividend of RMB0.068 per share (tax inclusive) for the year ended December 31, 2023.

## ANNUAL RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Zhongguancun Science-Tech Leasing Co., Ltd. (中關村科技租賃股份有限公司) (the "**Company**") is pleased to announce that the audited consolidated annual results of the Company and its consolidated structured entities (together, the "**Group**" or "**We**") for the year ended December 31, 2023 (the "**Reporting Period**") with the comparative figures for the year ended December 31, 2022 are as follows:

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*For the year ended December 31, 2023*
*(Expressed in Renminbi ("**RMB**"))*

| | Note | **2023** *RMB'000* | 2022 *RMB'000* |
|---|---|---|---|
| Interest income | | **691,933** | 613,397 |
| Advisory fee income | | **141,662** | 129,749 |
| Rental income from operating leases | | **32** | – |
| **Revenue** | *3* | **833,627** | 743,146 |
| Other net income | *4* | **32,825** | 15,342 |
| Interest expense | *5* | **(292,824)** | (272,493) |
| Operating expense | *6* | **(170,887)** | (150,560) |
| Impairment losses charged | *7* | **(78,254)** | (49,580) |
| Share of gains of associates | | **21,910** | 15,136 |
| Net foreign exchange (losses)/gains | | **(192)** | 109 |
| **Profit before taxation** | | **346,205** | 301,100 |
| Income tax expense | *8* | **(86,330)** | (74,996) |
| **Profit for the year** | | **259,875** | 226,104 |
| **Attributable to:** | | | |
| Equity shareholders of the Company | | **259,875** | 226,104 |
| **Profit for the year** | | **259,875** | 226,104 |
| Basic and diluted earnings per share *(in RMB)* | *11* | **0.19** | 0.17 |

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the year ended December 31, 2023*
*(Expressed in RMB)*

| | Note | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|---|
| **Profit for the year** | | **259,875** | 226,104 |
| **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) | | **(57)** | 235 |
| **Total comprehensive income for the year** | | **259,818** | 226,339 |
| **Attributable to:** | | | |
| Equity shareholders of the Company | | **259,818** | 226,339 |
| **Total comprehensive income for the year** | | **259,818** | 226,339 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at December 31, 2023*
*(Expressed in RMB)*

| | Note | **December 31, 2023** *RMB'000* | December 31, 2022 *RMB'000* |
|---|---|---|---|
| **Non-current assets** | | | |
| Property and equipment | *13* | **35,965** | 36,350 |
| Intangible assets | *14* | **19,556** | 15,829 |
| Loans and receivables | *15* | **4,790,021** | 4,222,292 |
| Financial assets at fair value through other comprehensive income | *16* | **12,224** | 12,299 |
| Financial assets at fair value through profit and loss | | **1,317** | 33,181 |
| Interest in associates | *17* | **264,525** | 190,689 |
| Other assets | *18* | **180** | 267 |
| Deferred tax assets | *19(b)* | **92,540** | 75,843 |
| | | **5,216,328** | 4,586,750 |
| **Current assets** | | | |
| Loans and receivables | *15* | **6,417,227** | 5,597,360 |
| Other assets | *18* | **99,938** | 42,044 |
| Pledged and restricted deposits | | **46,117** | 53,754 |
| Cash and cash equivalents | *20* | **635,263** | 634,987 |
| | | **7,198,545** | 6,328,145 |
| **Current liabilities** | | | |
| Borrowings | *21* | **6,302,429** | 3,890,411 |
| Income tax payable | *19(a)* | **14,142** | 18,142 |
| Trade and other liabilities | *22* | **1,601,533** | 1,263,411 |
| | | **7,918,104** | 5,171,964 |
| **Net current assets** | | **(719,559)** | 1,156,181 |
| **Total assets less current liabilities** | | **4,496,769** | 5,742,931 |

| | Note | **December 31, 2023** *RMB'000* | December 31, 2022 *RMB'000* |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Borrowings | *21* | **1,110,219** | 2,504,824 |
| Trade and other liabilities | *22* | **986,312** | 1,017,687 |
| | | **2,096,531** | 3,522,511 |
| **NET ASSETS** | | **2,400,238** | 2,220,420 |
| **CAPITAL AND RESERVES** | *23* | | |
| Share capital | | **1,333,334** | 1,333,334 |
| Reserves | | **1,066,904** | 887,086 |
| **Total equity attributable to equity shareholders of the Company** | | **2,400,238** | 2,220,420 |
| **TOTAL EQUITY** | | **2,400,238** | 2,220,420 |

Approved and authorised for issue by the board of directors on March 15, 2024.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the year ended December 31, 2023*
*(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, 2023** | | **1,333,334** | **331,149** | **72,159** | **2,194** | **110,470** | **371,114** | **2,220,420** |
| **Changes in equity for 2023:** | | | | | | | | |
| Profit for the year | | – | – | – | – | – | 259,875 | 259,875 |
| Other comprehensive income | | – | – | – | (57) | – | – | (57) |
| Total comprehensive income | | – | – | – | (57) | – | 259,875 | 259,818 |
| Appropriation to statutory reserve | 23(d) (i) | – | – | 25,976 | – | – | (25,976) | – |
| Dividends approved in respect of the previous year | 23(e) | – | – | – | – | – | (80,000) | (80,000) |
| **At December 31, 2023** | | **1,333,334** | **331,149** | **98,135** | **2,137** | **110,470** | **525,013** | **2,400,238** |

*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 |

## CONSOLIDATED STATEMENT OF CASH FLOWS

*For the year ended December 31, 2023*
*(Expressed in RMB)*

| | Note | **2023** | 2022 |
|---|---|---|---|
| | | ***RMB'000*** | *RMB'000* |
| **Operating activities** | | | |
| Profit before taxation | | **346,205** | 301,100 |
| Adjustments for: | | | |
| Share of gains of associates | | **(21,910)** | (15,136) |
| Interest expense | *5* | **236,561** | 211,365 |
| Impairment losses charged | *7* | **78,254** | 49,580 |
| Depreciation and amortisation | *6(b)* | **16,103** | 19,589 |
| Other expenses | | **22,289** | 16,014 |
| Investment income | | **(2,948)** | (247) |
| Changes in fair value of FVTPL | | **(1,800)** | (612) |
| Foreign exchange gains | | **(1)** | (101) |
| **Operating profit before changes in working capital** | | **672,753** | 581,552 |
| **Changes in working capital** | | | |
| Decrease/(increase) in pledged and restricted deposits | | **7,637** | (34,523) |
| Increase in loans and receivables | | **(1,466,354)** | (1,406,411) |
| Increase in trade and other receivables | | **(45,234)** | (5,635) |
| Increase in trade and other liabilities | | **302,644** | 292,396 |
| **Cash used in operations** | | **(528,554)** | (572,621) |
| PRC income taxes paid | *19(a)* | **(107,009)** | (98,281) |
| **Net cash used in operating activities** | | **(635,563)** | (670,902) |
| **Investing activities** | | | |
| Proceeds from disposal and redemption of investments | | **47,613** | 23,793 |
| Payments on investment in associates | | **(62,100)** | (82,880) |
| Payment for purchase of equipment and intangible assets | | **(31,783)** | (9,130) |
| **Net cash used in investing activities** | | **(46,270)** | (68,217) |

| | Note | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|---|
| **Financing activities** | | | |
| Proceeds from borrowings | *20(b)* | **8,284,458** | 6,023,675 |
| Capital element of lease rentals paid | *20(b)* | **(12,854)** | (16,776) |
| Repayment of borrowings | *20(b)* | **(7,263,866)** | (5,000,091) |
| Interest element of lease rentals paid | *20(b)* | **(1,232)** | (1,665) |
| Interest paid | *20(b)* | **(220,599)** | (205,769) |
| Other borrowing costs paid | *20(b)* | **(23,799)** | (15,439) |
| Dividends paid to equity shareholders of the Company | *23(e)* | **(80,000)** | (60,000) |
| **Net cash generated from financing activities** | | **682,108** | 723,935 |
| **Foreign exchange gains** | | **1** | 8 |
| **Net increase/(decrease) in cash and cash equivalents** | | **276** | (15,176) |
| **Cash and cash equivalents at the beginning of the year** | | **634,987** | 650,163 |
| **Cash and cash equivalents at the end of the year** | *20(a)* | **635,263** | 634,987 |

# NOTES TO THE FINANCIAL STATEMENTS

*(Expressed in RMB unless otherwise indicated)*

## 1 MATERIAL 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 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. Material accounting policies adopted by the Group are disclosed below.

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

### (b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended December 31, 2023 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.

**(c) Changes in accounting policies**

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

- Amendments to IAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*

- Amendments to IAS 1, *Presentation of financial statements and IFRS Practice Statement 2, Making materiality judgements: Disclosure of accounting policies*

- Amendments to IAS 12, Income taxes: *Deferred tax related to assets and liabilities arising from a single transaction*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the new and amended IFRSs are discussed below:

Amendments to IAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*

The amendments provide further guidance on the distinction between changes in accounting policies and changes in accounting estimates. The amendments do not have a material impact on these financial statements as the Group's approach in distinguishing changes in accounting policies and changes in accounting estimates is consistent with the amendments.

Amendments to IAS 1, *Presentation of financial statements and IFRS Practice Statement 2, Making materiality judgements: Disclosure of accounting policies*

The amendments require entities to disclose material accounting policy information and provide guidance on applying the concept of materiality to accounting policy disclosure. The Group has revisited the accounting policy information it has been disclosing and considered it is consistent with the amendments.

Amendments to IAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*

The amendments narrow the scope of the initial recognition exemption such that it does not apply to transactions that give rise to equal and offsetting temporary differences on initial recognition such as leases and decommissioning liabilities. For leases and decommissioning liabilities, the associated deferred tax assets and liabilities are required to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments are applied to those transactions that occur after the beginning of the earliest period presented.

Prior to the amendments, the Group applied the initial recognition exemption to lease transactions and had not recognised the related deferred tax. Following the amendments, the Group has recognised a separate deferred tax asset in relation to its lease liabilities and a deferred tax liability in relation to its rights-of-use assets. The Group has applied the amendments by recognising lease-related deferred tax at January 1, 2022. The related deferred tax assets and liabilities are presented on a net basis in the consolidated statement of financial position as they qualify for offsetting under IAS 12.

The impact of amendments to IAS 12 on the deferred tax is set out in Note 19(b). This change in accounting policy did not have any material impact on the cash flows and earnings per share.

**(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 to, 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. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

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.

Intra-group balances and transactions, and any unrealized income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions are eliminated. 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.

For each business combination, the Group can elect to measure any non-controlling interests ("**NCI**") either at fair value or at the NCI's proportionate share of the subsidiary's net identifiable assets. NCI are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. NCI 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 NCI and the equity shareholders of the Company. Loans from holders of NCI 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.

When the Group loses control of a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in that former subsidiary is measured at fair value when control is lost.

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 it is classified as held for sale.

**(e) Associates**

An associate is an entity in which the Group or the company has significant influence, but not control or joint control, over the financial and operating policies.

An interest in an associate is accounted for using the equity method, unless it is classified as held for sale. They are initially recognised at cost, which includes transaction costs. Subsequently, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income ("**OCI**") of those investees, until the date on which significant influence ceases.

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 gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent there is no evidence of impairment.

In the company's statement of financial position, an investment in an associate is stated at cost less impairment losses (see note 1(o)), unless it is classified as held for sale.

**(f) Property and equipment**

Items of property and equipment are stated at cost, which includes capitalised borrowing costs, less accumulated depreciation and any accumulated impairment losses (see Note 1(o)).

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components). Any gains or losses on disposal of an item of property and equipment is recognised in profit or loss.

Depreciation is calculated to write off the cost of items of property and equipment, less their estimated residual values, if any, using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss.

The estimated useful lives for the current and comparative periods are 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. | |
| – Machinery leased out under operating leases | 6 years |
| – Electronic equipment | 5 years |
| – Office equipment | 5 years |
| – Others | 5 years |

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

**(g) Intangible assets**

Intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses (see Note 1(o)). Expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

Amortization is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, if any, and is generally recognised in profit or loss.

The estimated useful life for the current and comparative periods are as follows:

| | *Estimate useful lives* |
|---|---|
| Software | 5 – 10 years |

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

### (h) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. This is the case 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 leases that have a short lease term of 12 months or less and leases of low-value items such as laptops and office furniture. When the Group enters into a lease in respect of a low-value item, the Group decides whether to capitalise the lease on a lease-by-lease basis. If not capitalised, the associated lease payments are recognised in profit or loss on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is recognised 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 are charged to profit or loss as 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 adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and 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, 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, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a lease modification, which means a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract, if such modification 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***

The Group 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. Otherwise, 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. The rental income from operating leases is recognised in accordance with note 1(s)(iii).

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

**(i) Financial instruments**

*(i)* ***Recognition and initial measurement***

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

*(ii)* ***Classification and subsequent measurement***

*Classification of financial assets*

On initial recognition, a financial asset is classified as measured at: amortised cost, FVOCI or FVTPL.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

– the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and

– the contractual terms of the financial asset give rise on specified dates to cash flows that are Solely Payments of Principal and Interest ("**SPPI**").

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

– the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

– the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

For equity investment not held for trading, the Group may irrevocably designate it as financial asset at FVOCI upon initial recognition. The designation is made on an individual basis and the investment is in line with the definition of the equity instrument from the issuer's perspective.

All other financial assets are classified as measured at FVTPL.

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing financial assets.

*Subsequent measurement of financial assets*

Financial assets at FVTPL

These financial assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss unless the financial assets are part of a hedging relationship.

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. A gain or loss on a financial asset that is measured at amortised cost and is not part of a hedging relationship shall be recognised in profit or loss when the financial asset is derecognised, through the amortisation process or in order to recognise impairment gains or losses.

Debt investments at FVOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, impairment and foreign exchange gains and losses are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to retained earnings.

*Classification and subsequent measurement of financial liabilities*

The Group classifies financial liabilities into financial liabilities at amortised cost, which are subsequently measured at amortised cost using the effective interest method.

***(iii) Derecognition***

*Financial assets*

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

*Financial liabilities*

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

***(iv) Offsetting***

Financial assets and financial liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

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

The Group recognises a loss allowance for expected credit losses (ECLs) on the following items:

– financial assets measured at amortised cost;

– loans and 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. Generally credit losses are measured as the present value of all expected cash shortfalls between contractual and expected amounts.

The expected cash shortfalls are discounted using the following rates if the effect 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.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months); and

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

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-months ECLs:

– loans and receivables that are determined to have low credit risk at the reporting date; and

– other financial instruments (including credit commitments issued) for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

*Significant increases in credit risk*

When determining whether the credit risk of a financial instrument has increased significantly since initial recognition and when measuring ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment, that includes forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

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.

The Group considers a financial asset to be in default when:

– the debtor 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

– the financial asset is 90 days past due.

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.

*Credit-impaired financial assets*

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 being more than 90 days past due;

– the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;

– it is probable that the debtor will enter bankruptcy or other financial reorganisation; or

– the disappearance of an active market for a security because of financial difficulties of the issuer.

**(j) Fair value measurement**

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

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

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

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

**(k) Trade and other receivables**

A receivable is recognised when the Group has an unconditional right to receive consideration and only the passage of time is required before payment of that consideration is due.

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 (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 other 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 see 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. Subsequently, these borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with Note 1(u).

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

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than deferred tax assets) to determine whether there is any indication of impairment.

If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units ("**CGU**"s). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. Value in use is based on the estimated future cash flows, 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 or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognised in profit and loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the resulting carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

**(p) Employee benefits**

***(i) Short-term employee benefits***

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

***(ii) Defined contribution plans***

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

***(iii) Termination benefits***

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring.

***(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 expense comprises current tax and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

Current tax comprises the estimated tax payable or receivable on the taxable income or loss for the year and any adjustments to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income taxes. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

– temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences;

– temporary differences related to investment in subsidiaries and associates to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future;

– taxable temporary differences arising on the initial recognition of goodwill; and

– those related to the income taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development.

The Group recognised deferred tax assets and deferred tax liabilities separately in relation to its lease liabilities and right-of-use assets.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

**(r) Provisions and contingent liabilities**

Generally provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability.

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 using the effective interest method. The "effective interest rate" is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. In calculating interest income, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired). However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

***(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) Rental income from operating leases***

Rental income from operating leases is recognised in profit or loss on a straight-line basis over term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are earned.

***(iv) 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**

Transactions in foreign currencies are translated at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date.

**(u) Borrowing costs**

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

**(v) Related parties**

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

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

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

**(w) Segment reporting**

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

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

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

## 2 ACCOUNTING JUDGEMENT AND ESTIMATES

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

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

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

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

– 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, 2023 and 2022, 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* | **2023**<br>***RMB'000*** | 2022<br>*RMB'000* |
|---|---|---|---|
| Interest income | | | |
| – Finance lease receivables | | **49,312** | 35,489 |
| – Sale-and-lease back transactions | | **575,840** | 538,767 |
| – Intellectual property lease transactions | | **66,781** | 39,141 |
| Advisory fee income | *(i)* | | |
| – Management advisory fee income | | **41,660** | 38,899 |
| – Policy advisory fee income | | **100,002** | 90,850 |
| Rental income from operating leases | | **32** | – |
| | | **833,627** | 743,146 |

*Note:*

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

## 4 OTHER NET INCOME

| | *Note* | **2023** **_RMB'000_** | 2022 *RMB'000* |
|---|---|---|---|
| Deductible value-added tax (VAT) deduction | | **21,349** | – |
| Interest from deposits | | **4,220** | 4,428 |
| Investment income | | **2,948** | 247 |
| Changes in fair value of FVTPL | | **1,800** | 612 |
| Government grants | *(i)* | **1,075** | 5,426 |
| Income from a related party | | **423** | 4,260 |
| Others | | **1,010** | 369 |
| | | **32,825** | 15,342 |

*Note:*

(i) The government grants were mainly provided to reward enterprises who provide financing support to scientific and technological innovation business and enterprises in certain area. The grants were unconditional and were therefore recognised as income when received.

## 5 INTEREST EXPENSE

| | **2023** **_RMB'000_** | 2022 *RMB'000* |
|---|---|---|
| Borrowings | **215,144** | 192,471 |
| Borrowings from related parties | **20,185** | 17,229 |
| Imputed interest expense on interest-free guaranteed deposits from lessees | **56,263** | 61,128 |
| Interest expense on lease liabilities | **1,232** | 1,665 |
| | **292,824** | 272,493 |

## 6 OPERATING EXPENSE

Profit before taxation is arrived at after charging:

### (a) Staff costs

| | Note | 2023<br>*RMB'000* | 2022<br>*RMB'000* |
|---|---|---|---|
| Salaries, bonuses and allowances | | **73,317** | 65,713 |
| Social insurance and other benefits | | **22,274** | 22,188 |
| Cash-settled share-based payments | *24(d)* | **(646)** | (306) |
| Subtotal | | **94,945** | 87,595 |

### (b) Other items

| | 2023<br>*RMB'000* | 2022<br>*RMB'000* |
|---|---|---|
| Depreciation charge | | |
| – owned equipment | **1,349** | 748 |
| – right-of-use assets | **12,573** | 13,485 |
| Amortisation cost of | | |
| – intangible assets | **1,875** | 4,989 |
| – others | **306** | 367 |
| Auditor's remuneration | **2,453** | 2,453 |
| Other rental expenses | **2,494** | 2,309 |

## 7 IMPAIRMENT LOSSES CHARGED

| | Note | 2023<br>*RMB'000* | 2022<br>*RMB'000* |
|---|---|---|---|
| Loans and receivables | *15(c)* | **78,174** | 49,246 |
| Credit commitments | *22(a)* | **80** | 334 |
| | | **78,254** | 49,580 |

## 8 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

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

| | *Note* | **2023** **RMB'000** | 2022 *RMB'000* |
|---|---|---|---|
| **Current tax** | | | |
| – PRC Enterprise Income Tax ("**EIT**") | | | |
| Provision for the year | | **103,009** | 84,279 |
| **Deferred income tax** | | | |
| – Origination of temporary differences | *19(b)* | **(16,679)** | (9,283) |
| | | **86,330** | 74,996 |

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

| | *Note* | **2023** **RMB'000** | 2022 *RMB'000* |
|---|---|---|---|
| Profit before taxation | | **346,205** | 301,100 |
| Notional tax on profit before taxation, calculated at the rates applicable in the jurisdictions concerned | *(i)* | **86,551** | 75,275 |
| Tax effect of non-deductible expenses | | **75** | 219 |
| Others | | **(296)** | (498) |
| Income tax expense for the year | | **86,330** | 74,996 |

*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

| | 2023 | | | | | |
|---|---|---|---|---|---|---|
| | **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) | – | – | – | – | – | – |
| Wang Sujuan (王素娟) (assigned on June 6, 2023) | – | – | – | – | – | – |
| Zhang Chunlei (張春雷) (The qualification for the position will be provided to the Beijing Local Financial Supervision and Administration Bureau for review) | – | – | – | – | – | – |
| Lou Yixiang (婁毅翔) (resigned on December 18, 2023) | – | – | – | – | – | – |
| Du Yunchao (杜雲超) (resigned on September 22, 2023) | – | – | – | – | – | – |
| **Executive directors** | | | | | | |
| He Rongfeng (何融峰) | – | 1,899 | 960 | – | – | 2,859 |
| Huang Wen (黃聞) | – | 774 | 300 | – | – | 1,074 |
| **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) | – | – | – | – | – | – |
| Du Xiaoming (杜曉明) (assigned on June 6, 2023) | – | – | – | – | – | – |
| Kan Wei (闞巍) (resigned on January 19, 2023) | – | – | – | – | – | – |
| Tong Chao (佟超) | – | 591 | 265 | – | – | 856 |
| Zhou Di (周迪) | – | 451 | 236 | – | – | 687 |
| Han Nana (韓娜娜) | – | 377 | 144 | – | – | 521 |
| Total | – | 4,542 | 1,905 | – | – | 6,447 |

| | 2022 | | | | | |
|---|---|---|---|---|---|---|
| | Fees<br>*RMB'000* | Salaries, allowances and benefits in kind<br>*RMB'000* | Discretionary bonuses<br>*RMB'000* | Retirement scheme contributions<br>*RMB'000* | Cash-settled share-based payment<br>*RMB'000* | Total<br>*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 |

## 10 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, there were one director (2022: two) of the Group for the year ended December 31, 2023, whose emoluments are disclosed in Note 9. The aggregate of the emoluments in respect of the other four (2022: three) individuals are as follows:

| | **2023** | 2022 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Salaries, allowances and benefits in kind | **3,316** | 2,904 |
| Discretionary bonuses | **1,440** | 900 |
| Cash-settled share-based payment | **–** | 81 |
| Total | **4,756** | 3,885 |

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

| | **2023** | 2022 |
|---|---|---|
| | ***Number of individuals*** | *Number of individuals* |
| HKD1,000,001 – HKD1,500,000 | **4** | 3 |
| HKD1,500,001 – HKD2,000,000 | **–** | – |

## 11 BASIC AND DILUTED EARNINGS PER SHARE

| | **2023** | 2022 |
|---|---|---|
| Profit attributable to equity shareholders of the Company *(RMB'000)* | **259,875** | 226,104 |
| 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)* | **0.19** | 0.17 |

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, 2023 and 2022.

**Weighted average number of ordinary shares (in thousands)**

| | **2023** | 2022 |
|---|---|---|
| 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

| | **2023** | | | 2022 | | |
|---|---|---|---|---|---|---|
| | **Before-tax amount** | **Tax expense** | **Net-of-Tax amount** | Before-tax amount | Tax expense | Net-of-Tax amount |
| | ***RMB'000*** | ***RMB'000*** | ***RMB'000*** | *RMB'000* | *RMB'000* | *RMB'000* |
| Equity investments at FVOCI: net movement in fair value reserve (non-recycling) | **(75)** | **18** | **(57)** | 313 | (78) | 235 |

## 13 PROPERTY AND EQUIPMENT

| | Properties leased for own use carried at cost<br>*RMB'000* | Electronic equipment<br>*RMB'000* | Office equipment<br>*RMB'000* | Machinery leased out under operating leases<br>*RMB'000* | Others<br>*RMB'000* | Total<br>*RMB'000* |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| As at 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/ January 1, 2023 | 55,690 | 6,740 | 962 | – | 1,159 | 64,551 |
| Additions | – | 736 | 13 | 13,274 | 629 | 14,652 |
| Disposals | (10,634) | (176) | (63) | – | (1,042) | (11,915) |
| As at December 31, 2023 | 45,056 | 7,300 | 912 | 13,274 | 746 | 67,288 |
| **Accumulated depreciation** | | | | | | |
| As at 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/ January 1, 2023 | (24,119) | (2,408) | (688) | – | (986) | (28,201) |
| Charge for the year | (12,246) | (1,231) | (97) | – | (348) | (13,922) |
| Written back on disposals | 9,540 | 159 | 59 | – | 1,042 | 10,800 |
| As at December 31, 2023 | (26,825) | (3,480) | (726) | – | (292) | (31,323) |
| **Net carrying amount** | | | | | | |
| As at December 31, 2023 | 18,231 | 3,820 | 186 | 13,274 | 454 | 35,965 |
| As at December 31, 2022 | 31,571 | 4,332 | 274 | – | 173 | 36,350 |

*Notes:*

The Group leases out a number of items of machinery under operating leases. The leases typically run for an initial period of four years. None of the leases includes variable lease payments. Undiscounted lease payments under non-cancellable operating leases in place at the reporting date will be receivable by the Group in future periods are as below:

| | **December 31, 2023** |
|---|---|
| | ***RMB'000*** |
| Within 1 year | **3,704** |
| 1 to 2 years | **3,558** |
| 2 to 3 years | **3,418** |
| 3 to 4 years | **3,283** |
| | **13,963** |

## 14 INTANGIBLE ASSETS

| | **December 31, 2023** | December 31, 2022 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **Cost** | | |
| At the beginning of the year | **28,437** | 21,193 |
| Additions | **5,602** | 7,244 |
| At the end of the year | **34,039** | 28,437 |
| **Accumulated amortisation** | | |
| At the beginning of the year | **(12,608)** | (7,619) |
| Charge for the year | **(1,875)** | (4,989) |
| At the end of the year | **(14,483)** | (12,608) |
| **Carrying amount** | | |
| At the beginning of the year | **15,829** | 13,574 |
| At the end of the year | **19,556** | 15,829 |

Intangible assets mainly represent software.

## 15 LOANS AND RECEIVABLES

| | Note | December 31, 2023 RMB'000 | December 31, 2022 RMB'000 |
|---|---|---|---|
| Minimum finance lease receivables | | | |
| Within one year | | **747,018** | 568,604 |
| More than one year and not more than five years | | **665,498** | 391,241 |
| Gross amount of finance lease receivables | | **1,412,516** | 959,845 |
| Less: Unearned finance income | | **(130,993)** | (81,901) |
| Net amount of finance lease receivables | | **1,281,523** | 877,944 |
| Receivables from sale-and-leaseback transactions | *(i)* | **9,130,440** | 8,252,886 |
| Receivables from intellectual property lease transactions | | **1,158,131** | 973,494 |
| Loans and receivables | | **11,570,094** | 10,104,324 |
| Less: | | | |
| Provision for finance lease receivables | | **(143,885)** | (136,557) |
| Provision for receivables from sale-and-leaseback transactions | | **(204,607)** | (139,932) |
| Provision for intellectual property lease transactions | | **(14,354)** | (8,183) |
| Provision for loans and receivables | | **(362,846)** | (284,672) |
| Total | | **11,207,248** | 9,819,652 |

*Note:*

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

Analysis for reporting purpose as:

| | December 31, 2023 RMB'000 | December 31, 2022 RMB'000 |
|---|---|---|
| Non-current assets | **4,790,021** | 4,222,292 |
| Current assets | **6,417,227** | 5,597,360 |
| Total | **11,207,248** | 9,819,652 |

The loans and receivables with net amount of approximately RMB2,918.1 million and RMB3,219.9 million were pledged as collaterals for the Group's loan borrowings as at December 31, 2023 and 2022, respectively (see Note 21(i)).

The loans and receivables with net amount of approximately RMB1,159.6 million and RMB1,427.9 million were pledged as collaterals for the Group's asset-backed securities as at December 31, 2023 and 2022, respectively (see Note 21(ii)). The loans and receivables with net amount of approximately RMB1,291.1 million and RMB1,203.9 million were pledged as collaterals for the Group's asset-backed notes as at December 31, 2023 and 2022, 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, 2023, the lessees' deposits of RMB1,318.3 million were pledged for related loans and receivables (December 31, 2022: RMB1,209.3 million), see Note 22.

(a) Present value of minimum finance lease receivables:

| | **December 31, 2023** *RMB'000* | December 31, 2022 *RMB'000* |
|---|---|---|
| Not more than one year | **663,166** | 512,227 |
| More than one year and not later than five years | **618,357** | 365,717 |
| Total | **1,281,523** | 877,944 |

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

| | **December 31, 2023** | | | |
|---|---|---|---|---|
| | **12-month ECL** | **Lifetime ECL not credit-impaired** | **Lifetime ECL credit-impaired** | **Total** |
| Net amount of loans and receivables | **10,798,172** | **88,456** | **683,466** | **11,570,094** |
| Less: Allowances for impairment losses | **(39,578)** | **(920)** | **(322,348)** | **(362,846)** |
| Carrying amount of loans and receivables | **10,758,594** | **87,536** | **361,118** | **11,207,248** |

| | 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 |

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

| | **December 31, 2023** | | | |
|---|---|---|---|---|
| | **12-month ECL** | **Lifetime ECL not credit-impaired** | **Lifetime ECL credit-impaired** | **Total** |
| Balance at January 1, 2023 | **33,862** | **524** | **250,286** | **284,672** |
| Transfer: | | | | |
| – to lifetime ECL not credit-impaired | **(209)** | **209** | **–** | **–** |
| – to lifetime ECL credit-impaired | **(738)** | **(524)** | **1,262** | **–** |
| Charge | **6,663** | **711** | **70,800** | **78,174** |
| Balance at December 31, 2023 | **39,578** | **920** | **322,348** | **362,846** |

| | 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 |

## 16 FINANCIAL ASSETS AT FVOCI

| | *Note* | **December 31, 2023** ***RMB'000*** | December 31, 2022 *RMB'000* |
|---|---|---|---|
| Equity securities designated at FVOCI (non-recycling) | | | |
| – Unlisted equity securities | *(i)* | **12,224** | 12,299 |

*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 2023 (2022: RMB0.2 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:

| Name of associate | Form of business structure | Place of incorporation and business | Particulars of issued and paid up capital | Proportion of ownership interest: Group's effective interest | Held by the Company | Principal activity |
|---|---|---|---|---|---|---|
| Beijing Zhongnuo Tongchuang Investment Fund Management Co., Ltd. (北京中諾同創投資基金管理有限公司, "**Beijing Zhongnuo**") | Incorporated | PRC | RMB4.0 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 | RMB131.2 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 | RMB350.0 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 | RMB4.0 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 | RMB4.0 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 | RMB4.0 million | 35% | 35% | Advisory service |

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.

Aggregate information of associates that not individually material:

| | **2023** | 2022 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Aggregate carrying amount of individually immaterial associates in the consolidated financial statements | **264,525** | 190,689 |
| Aggregate amounts of the Group's share of those associates' profit from continuing operations | **21,910** | 15,136 |
| Post-tax profit or loss from discontinued operations | **–** | – |
| Other comprehensive income | **–** | – |
| Total comprehensive income | **21,910** | 15,136 |

## 18 OTHER ASSETS

| | | **December 31, 2023** | December 31, 2022 |
|---|---|---|---|
| | *Note* | ***RMB'000*** | *RMB'000* |
| **Non-current assets** | | | |
| Other assets | | **180** | 267 |
| **Current assets** | | | |
| VAT | | **79,233** | 27,011 |
| Advance payments | | **16,029** | 6,782 |
| Due from related parties | *27(c)* | **3,683** | 7,845 |
| Receivables from operating lease | | **36** | – |
| Other receivables | | **957** | 406 |
| | | **99,938** | 42,044 |
| Total | | **100,118** | 42,311 |

## 19 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

### (a) Income tax payable

| | **December 31, 2023** *RMB'000* | December 31, 2022 *RMB'000* |
|---|---|---|
| At the beginning of the year | **18,142** | 32,144 |
| Provision for income tax for the year | **103,009** | 84,279 |
| Income tax paid | **(107,009)** | (98,281) |
| At the end of the year | **14,142** | 18,142 |

### (b) Deferred tax assets and liabilities recognised

The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements for the years ended December 31, 2023 and 2022 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* | **Right-of-use assets** *RMB'000* | **Lease liabilities** *RMB'000* | **Total** *RMB'000* |
|---|---|---|---|---|---|---|---|---|---|
| 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 |
| Change in accounting policy | – | – | – | – | – | – | (8,151) | 8,151 | – |
| January 1, 2023 | (2,324) | (153) | 9,415 | (8,274) | 71,259 | 5,920 | (8,151) | 8,151 | 75,843 |
| Charged to profit or loss | – | 188 | (4,061) | (15) | 19,563 | 762 | 3,393 | (3,151) | 16,679 |
| Charged to other comprehensive income | 18 | – | – | – | – | – | – | – | 18 |
| December 31, 2023 | (2,306) | 35 | 5,354 | (8,289) | 90,822 | 6,682 | (4,758) | 5,000 | 92,540 |

## 20 CASH AND CASH EQUIVALENTS

### (a) Cash and cash equivalents comprise:

| | **December 31, 2023** *RMB'000* | December 31, 2022 *RMB'000* |
|---|---|---|
| Deposits with banks | **635,263** | 634,987 |
| Cash and cash equivalents | **635,263** | 634,987 |

**(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 2023** | **6,395,235** | **28,993** | **22,125** | **6,446,353** |
| **Changes from financing cash flows:** | | | | |
| Capital element of lease rentals paid | **–** | **(12,854)** | **–** | **(12,854)** |
| Proceeds from borrowings | **8,284,458** | **–** | **–** | **8,284,458** |
| Repayment of borrowings | **(7,263,866)** | **–** | **–** | **(7,263,866)** |
| Interest element of lease rentals paid | **–** | **(1,232)** | **–** | **(1,232)** |
| Interest paid | **–** | **–** | **(220,599)** | **(220,599)** |
| Other borrowing costs paid | **(23,799)** | **–** | **–** | **(23,799)** |
| **Other changes:** | | | | |
| Increase in lease liabilities from entering into new leases during the year | **–** | **667** | **–** | **667** |
| Interest expense | **–** | **1,232** | **235,329** | **236,561** |
| Other borrowing costs | **23,799** | **–** | **–** | **23,799** |
| Interest adjustment | **(3,179)** | **–** | **2,093** | **2,861** |
| **As at 31 December 2023** | **7,412,648** | **16,806** | **38,948** | **7,472,349** |

| | 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:

| | **2023** | 2022 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Within operating cash flows | **1,231** | 1,066 |
| Within financing cash flows | **14,086** | 18,441 |
| | **15,317** | 19,507 |

## 21 BORROWINGS

| | *Note* | **December 31, 2023** ***RMB'000*** | December 31, 2022 *RMB'000* |
|---|---|---|---|
| Bank loans | | | |
| – pledged | *(i)* | **2,223,561** | 1,628,795 |
| – unsecured | | **2,528,104** | 1,168,643 |
| Borrowings from related parties | | | |
| – pledged | *(i)* | **–** | 1,000,000 |
| Asset-backed securities | *(ii)* | **2,261,175** | 2,597,797 |
| Short-term commercial papers | *(iii)* | **399,808** | – |
| | | **7,412,648** | 6,395,235 |

Analysis for reporting purpose as:

| | **December 31, 2023** ***RMB'000*** | December 31, 2022 *RMB'000* |
|---|---|---|
| Non-current liabilities | **1,110,219** | 2,504,824 |
| Current liabilities | **6,302,429** | 3,890,411 |
| | **7,412,648** | 6,395,235 |

*Notes:*

(i) As at December 31, 2023, loans amounting to RMB2,225.4 million were pledged by loans and receivables (December 31, 2022: RMB2,628.8 million) (see Note 15).

(ii) On November 14, 2023, the Company issued asset-backed securities with two tranches: senior tranche Class A with principal amount of RMB75.0 million, coupon rate of 3.08% and an expected maturity date on March 20, 2024; senior tranche Class B with principal amount of RMB20.0 million, coupon rate of 3.08% 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 all junior tranche asset-backed securities.

On May 16, 2023, the Company issued asset-backed securities with two tranches: senior tranche Class A with principal amount of RMB600.0 million, coupon rate of 3.20% and an expected maturity date on February 20, 2025; senior tranche Class B with principal amount of RMB160.0 million, coupon rate of 3.20% and an expected maturity date on August 20, 2025; junior tranche with principal amount of RMB40.0 million and an expected maturity date on August 20, 2025. The Company holds all junior tranche asset-backed securities.

On April 3, 2023, the Company issued asset-backed notes with two tranches: senior tranche Class A with principal amount of RMB510.0 million, coupon rate of 3.50% and an expected maturity date on January 20, 2025; senior tranche Class B with principal amount of RMB135.0 million, coupon rate of 3.84% and an expected maturity date on April 21, 2025; junior tranche with principal amount of RMB35.0 million and an expected maturity date on April 21, 2025. The Company holds all junior tranche asset-backed notes.

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 medium-term notes.

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 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.

(iii) On November 14, 2023, the Company issued short-term commercial papers with principal amount of RMB400.0 million, coupon rate of 2.95% and an expected maturity date on May 10, 2024.

As at December 31, 2023, the borrowings were repayable as follows:

| | **2023** | 2022 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Within one year | **6,302,429** | 3,890,411 |
| After 1 year but within 2 years | **813,615** | 1,403,339 |
| After 2 years but within 5 years | **296,604** | 1,101,485 |
| | **7,412,648** | 6,395,235 |

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

| | **December 31, 2023** | December 31, 2022 |
|---|---|---|
| Range of interest rates: | **2.60%-4.75%** | 3.65% – 4.75% |

## 22 TRADE AND OTHER LIABILITIES

| | *Note* | **December 31, 2023** ***RMB'000*** | December 31, 2022 *RMB'000* |
|---|---|---|---|
| **Current liabilities** | | | |
| Notes payable | | **766,078** | 646,756 |
| Guaranteed deposits from lessees | | **503,558** | 347,811 |
| Accounts payable | | **161,505** | 134,607 |
| VAT to be collected in the following period | | **79,630** | 61,930 |
| Interest payable | | **38,948** | 22,125 |
| Accrued staff costs | *22(c)* | **32,938** | 28,544 |
| Lease liabilities | *22(b)* | **11,914** | 13,135 |
| Receipts in advance | | **1,890** | 3,096 |
| VAT payable and other tax payable | | **2,446** | 2,745 |
| Other payables | | **2,626** | 2,662 |
| | | **1,601,533** | 1,263,411 |
| **Non-current liabilities** | | | |
| Guaranteed deposits from lessees | | **814,708** | 861,439 |
| Deferred revenue | | **87,148** | 89,909 |
| VAT to be collected in the following period | | **75,924** | 45,861 |
| Lease liabilities | *22(b)* | **8,088** | 19,468 |
| Provision for credit commitments | *22(a)* | **444** | 364 |
| Accrued staff costs | *24(a)* | **–** | 646 |
| | | **986,312** | 1,017,687 |
| Total | | **2,587,845** | 2,281,098 |

**(a) Provision for credit commitments**

| | **2023** | | | |
|---|---|---|---|---|
| | **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, 2023 | **364** | **–** | **–** | **364** |
| Charge | **80** | **–** | **–** | **80** |
| Balance at December 31, 2023 | **444** | **–** | **–** | **444** |

| | 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 |

**(b) Lease liabilities**

The following table shows the remaining contractual maturities of the Group's lease liabilities at December 31, 2023:

| | **December 31, 2023** | | December 31, 2022 | |
|---|---|---|---|---|
| | **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 | **11,914** | **12,731** | 13,135 | 14,363 |
| After 1 year but within 2 years | **6,612** | **6,653** | 8,830 | 9,406 |
| After 2 years but within 5 years | **1,476** | **1,541** | 10,638 | 10,978 |
| | **20,002** | **20,925** | 32,603 | 34,747 |
| Less: total future interest expenses | | **(923)** | | **(2,144)** |
| Present value of lease liabilities | | **20,002** | | **32,603** |

**(c) Accrued staff costs**

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

## 23 CAPITAL, RESERVES AND DIVIDENDS

### (a) Movements in components of equity

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

| | Share capital | Capital reserve | Surplus reserve | Fair value reserve | General reserve | Retained profits | Total equity |
|---|---|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | *23(b)* | *23(c)* | *23(d)(i)* | *23(d)(ii)* | *23(d)(iii)* | | |
| **At January 1, 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/January 1, 2023** | 1,333,334 | 331,149 | 72,159 | 2,194 | 110,470 | 370,950 | 2,220,256 |
| **Changes in equity for 2023** | | | | | | | |
| Profit for the year | – | – | – | – | – | 259,759 | 259,759 |
| Other comprehensive income | – | – | – | (57) | – | – | (57) |
| Total comprehensive income | – | – | – | (57) | – | 259,759 | 259,702 |
| Appropriation to statutory reserve | – | – | 25,976 | – | – | (25,976) | – |
| Dividends approved in respect of the previous years | – | – | – | – | – | (80,000) | (80,000) |
| **At December 31, 2023** | 1,333,334 | 331,149 | 98,135 | 2,137 | 110,470 | 524,733 | 2,399,958 |

### (b) Share capital

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

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

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

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

**(c) Capital reserve**

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

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

**(d) Reserves**

***(i) Surplus reserve***

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

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

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

***(ii) Fair value reserve (non-recycling)***

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

***(iii) General reserve***

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

**(e) Dividends**

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

According to the proposal of the meeting of board of directors dated March 15, 2024, the profit distributed in cash by the Company to its equity shareholders amounted to RMB90.67 million (2022: RMB80.0 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 2023 was RMB80.0 million (2022: RMB60.0 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:

| | **2023** | 2022 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Total carrying amount of liabilities for SARs | **–** | 646 |
| 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 |
|---|---|
| Fair value at measurement date *(in RMB)* | 0.06 |
| Share price *(in HKD)* | 0.7 |
| Exercise price *(in RMB)* | 1 |
| Expected volatility | 33.96% |
| Expected life *(year)* | 3.0 |
| Expected dividends | 0% |
| Risk-free interest rate | 4.26% |

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, 2023 | 4,223,333 | RMB1 |
| Forfeited during the year | (4,223,333) | RMB1 |
| Outstanding at December 31, 2023 | – | – |
| Exercisable at December 31, 2023 | – | – |

The share-based payment arrangement invalidated at December 31, 2023 because the certain non-market performance conditions were unsatisfied.

**(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, 2023** *RMB'000* | December 31, 2022 *RMB'000* |
|---|---|---|
| Cash and cash equivalents | **635,263** | 634,987 |
| Pledged and restricted deposits | **46,117** | 53,754 |
| Loans and receivables | **11,570,094** | 10,104,324 |
| Notes and other receivables | **4,640** | 8,251 |
| Total | **12,256,114** | 10,801,316 |

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

### *(i) Loans and receivables credit risk management*

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. As at December 31, 2023, 1.03% of the total net amounts of loans and receivables was due from the Group's largest customer (December 31, 2022: 1.51%), and 5.27% of the total net amounts of loans and receivables was due from the Group's five largest customers (December 31, 2022: 5.52%).

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

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

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

### *(ii) Risk limits management and mitigation measures*

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

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

Other specific management and mitigation measures include:

Guarantee: To make credit risk management more efficient, the Group uses different approaches to mitigate credit risk, including obtaining collaterals/pledges, deposits, and guarantees from guarantors.

For the finance lease business, the Group requires different approaches to guarantees based on the lessee's credit status, the risk level of the finance lease business and the characteristics of each guarantee category. The Group also requires an assessment of the guarantor's financing capacity, the ownership and value of collaterals and pledges, and the feasibility of realising the collateral and the pledge. If a finance lease is guaranteed by a third party, the Group will assess the guarantor's financial status, credit condition and solvency.

Insurance: For the finance lease business, the title will be owned by the Group during the lease period, but the risks and benefits associated with the operation and maintenance will be transferred to the lessee. Therefore, if a covered accident occurs during the lease period, the lessee must immediately report it to the related insurance company and notify the Group, provide reasons and related materials to the Group for the accident, and file claims against the insurance company in a timely manner in conjunction with the Group.

*Concentration risk of credit exposure*

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

| | **December 31, 2023** | | December 31, 2022 | |
|---|---|---|---|---|
| | ***RMB'000*** | *%* | *RMB'000* | *%* |
| Intelligent manufacturing | **4,668,538** | **37%** | 3,072,905 | 28% |
| Dual carbon | **2,517,459** | **20%** | 2,762,787 | 26% |
| Biological and medicine | **1,893,526** | **15%** | 1,988,957 | 18% |
| New consumption | **1,714,363** | **14%** | 1,518,211 | 14% |
| Artificial intelligence | **1,435,875** | **12%** | 1,326,230 | 12% |
| Others | **233,368** | **2%** | 203,412 | 2% |
| Total | **12,463,129** | **100%** | 10,872,502 | 100% |

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

| | **December 31, 2023** | | December 31, 2022 | |
|---|---|---|---|---|
| | ***RMB'000*** | *%* | *RMB'000* | *%* |
| North China | **4,371,969** | **36%** | 4,485,957 | 41% |
| East China | **4,269,897** | **34%** | 3,272,153 | 30% |
| South China | **1,395,282** | **11%** | 1,057,926 | 10% |
| Central China | **1,021,344** | **8%** | 929,621 | 9% |
| Northwest | **701,765** | **6%** | 470,723 | 4% |
| Southwest | **418,687** | **3%** | 255,113 | 2% |
| Northeast | **284,185** | **2%** | 401,009 | 4% |
| Total | **12,463,129** | **100%** | 10,872,502 | 100% |

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

| | | **December 31, 2023** | | |
|---|---|---|---|---|
| | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| Loans and receivables | **0.37%** | **1.04%** | **47.16%** | **3.14%** |

| | | December 31, 2022 | | |
|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | Total |
| Loans and receivables | 0.35% | 1.54% | 49.50% | 2.82% |

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

| | **December 31, 2023** *RMB'000* | December 31, 2022 *RMB'000* |
|---|---|---|
| 12-month ECL balance | **10,798,172** | 9,564,672 |
| Lifetime ECL not credit-impaired balance | | |
| – Not overdue | **–** | 6,435 |
| – Less than 1 month (inclusive) | **16,333** | 5,438 |
| – 1 to 3 months (inclusive) | **72,123** | 22,154 |
| Lifetime ECL credit-impaired | **683,466** | 505,625 |
| Net amount of loans and receivables | **11,570,094** | 10,104,324 |
| Less: Allowances for impairment losses | **(362,846)** | (284,672) |
| Total | **11,207,248** | 9,819,652 |

**(b) Market risk**

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

***(i) Currency risk***

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

The directors consider the Group's exposure to foreign currency risk is not significant for 2023 as the foreign currency balance of the Group at the end of the reporting period is immaterial.

***(ii) Interest rate risk***

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

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

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

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

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

The following table illustrates the potential impact of a parallel upward or downward shift of 100 basis points in all financial instruments' yield rate on the Group's retained profits, based on the Group's positions of interest-generating assets and interest-bearing liabilities at the end of at December 31, 2023.

| | **2023** | 2022 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Retained profits | | |
| + 100 basis points | **7,409** | 11,661 |
| – 100 basis points | **(7,409)** | (11,661) |

**(c) Liquidity risk**

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

| | **Indefinite/ overdue/ on demand** | **Within 1 month** | **1 to 3 months** | **3 months to 1 year** | **1 to 5 years** | **More than five years** | **Total** |
|---|---|---|---|---|---|---|---|
| | ***RMB'000*** | ***RMB'000*** | ***RMB'000*** | ***RMB'000*** | ***RMB'000*** | ***RMB'000*** | ***RMB'000*** |
| **December 31, 2023** | | | | | | | |
| Cash and cash equivalent | **635,263** | **–** | **–** | **–** | **–** | **–** | **635,263** |
| Pledged and restricted deposits | **–** | **–** | **–** | **46,117** | **–** | **–** | **46,117** |
| Loans and receivables | **600,691** | **456,215** | **1,444,457** | **4,857,539** | **5,104,227** | **–** | **12,463,129** |
| Financial assets at FVOCI | **12,223** | **–** | **–** | **–** | **–** | **–** | **12,223** |
| Financial assets at FVTPL | **1,317** | **–** | **–** | **–** | **–** | **–** | **1,317** |
| Other assets – notes and other receivables | **3,120** | **–** | **–** | **–** | **1,520** | **–** | **4,640** |
| Total financial assets | **1,252,614** | **456,215** | **1,444,457** | **4,903,656** | **5,105,747** | **–** | **13,162,689** |
| Borrowings | **–** | **536,513** | **690,145** | **5,084,850** | **1,111,284** | **–** | **7,422,792** |
| Trade and other liabilities | **138** | **118,405** | **318,919** | **955,082** | **942,601** | **479** | **2,335,624** |
| Lease liabilities | **–** | **–** | **258** | **12,473** | **8,194** | **–** | **20,925** |
| Total financial liabilities | **138** | **654,918** | **1,009,322** | **6,052,405** | **2,062,079** | **479** | **9,779,341** |
| Net exposure | **1,252,476** | **(198,703)** | **435,135** | **(1,148,749)** | **3,043,668** | **(479)** | **3,383,348** |

| | 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 |

**(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, 2023 | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| Financial assets at FVOCI | **–** | **–** | **12,224** | **12,224** |
| Financial assets at FVTPL | **–** | **–** | **1,317** | **1,317** |
| Total | **–** | **–** | **13,541** | **13,541** |

| | 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 |

For the years ended December 31, 2023 and 2022, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

***Information about Level 3 fair value measurements***

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

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

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

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

| | **2023** | 2022 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **Unlisted equity securities:** | | |
| At the beginning of the year | **13,299** | 12,986 |
| Investments from debt restructuring | **365** | – |
| Repayment of cost | **(48)** | – |
| Net unrealised gains or losses recognised in other comprehensive income during the year | **(75)** | 313 |
| At the end of the year | **13,541** | 13,299 |

## 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, 2023, the Group's non-cancellable credit commitments amounted to RMB62.2 million (December 31, 2022: RMB100.0 million).

### (b) Capital commitments

As at December 31, 2023, 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, RMB60.0 million, nil, nil and nil (December 31, 2022: RMB2.3 million, RMB120.0 million, RMB0.7 million, RMB0.7 million and RMB0.7 million), respectively. All of the above investees are associates which are accounted for using the equity method in the consolidated financial statements.

## 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) | Ultimate controlling party |
| 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) | 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 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 Zhongguancun Technology Financing Guarantee Co., Ltd. * (北京中關村科技融資擔保有限公司) | A company controlled by the same controlling shareholder |
| Beijing Chaoyang International Technology Innovation Service Co., Ltd * (北京朝陽國際科技創新服務有限公司) | A company controlled by the major shareholder |
| 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) | A company significantly impacted by the 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.

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

| | **2023** | 2022 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| ***Trade related*** | | |
| Repayment of loans and receivables from a related party | **–** | 639 |
| Interest income from loans and receivables to a related party | **–** | 9 |
| ***Non-trade related*** | | |
| **Borrowing related** | | |
| Borrowings from a related party | **–** | 1,100,000 |
| Repayment of borrowings from a related party | **1,000,000** | 1,000,000 |
| Interest expenses arising from borrowings from a related party | **20,185** | 17,229 |
| Payment of interest expenses arising from borrowings from a related party | **21,621** | 18,533 |
| **Lending related** | | |
| Payment for the lease of house rental to related parties | **9,653** | 13,773 |
| Interest expense on lease liabilities to related parties | **1,198** | 1,628 |
| Decrease of lease prepayment to related parties | **3,388** | – |
| Increase of lease prepayment to related parties | **3,064** | 3,388 |
| **Guarantee related** | | |
| Decrease of guarantees from related parties | **149,874** | – |
| Increase of guarantees from related parties | **–** | 255,659 |
| Payment of guarantee fee to related parties | **2,059** | 2,420 |
| **Others** | | |
| Service fees to related parties | **8,425** | 3,195 |
| Payment of service fees to related parties | **7,488** | 584 |
| Payment of other receivables of related parties | **4,515** | – |
| Payment of other payables to related parties | **1,718** | 680 |
| Other income from related parties | **423** | 4,260 |
| Payment of other lease fees to a related party | **23** | 23 |
| Increase of deposits for rental | **–** | 221 |

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

| | Note | **December 31, 2023** *RMB'000* | December 31, 2022 *RMB'000* |
|---|---|---|---|
| ***Non-trade related*** | | | |
| **Borrowing related** | | | |
| Borrowings payable to a related party | | **–** | 1,000,000 |
| Interest payable to a related party | | **–** | 1,436 |
| **Lending related** | | | |
| Payable lease liabilities to related parties | | **19,732** | 31,575 |
| Lease prepayment to related parties | | **3,064** | 3,388 |
| **Guarantee related** | | | |
| Balance of guarantees received from related parties | | **647,110** | 796,984 |
| **Others** | | | |
| Deposits for rental | *(i)* | **3,329** | 3,329 |
| Other receivables from related parties | | **354** | 4,516 |
| Payable service fees for related parties | | **3,548** | 2,611 |
| Payable to a related party | | **641** | 906 |

*Notes:*

(i) As at December 31, 2023, this represents deposits for rental to Zhongguancun Development Group Co., Ltd. and Beijing Zhongguancun Technology Service Co., Ltd., which will be due within two years and four years, respectively.

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

| | **2023** *RMB'000* | 2022 *RMB'000* |
|---|---|---|
| Key management personnel remuneration | **8,899** | 8,422 |

## 28 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

| | **December 31, 2023** | December 31, 2022 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **Non-current assets** | | |
| Property and equipment | **35,965** | 36,350 |
| Intangible assets | **19,556** | 15,829 |
| Loans and receivables | **4,790,021** | 4,222,292 |
| Financial assets at fair value through other comprehensive income | **12,224** | 12,299 |
| Financial assets at fair value through profit and loss | **1,317** | 33,181 |
| Interest in associates | **264,525** | 190,689 |
| Other assets | **180** | 267 |
| Deferred tax assets | **92,540** | 75,843 |
| | **5,216,328** | 4,586,750 |
| **Current assets** | | |
| Loans and receivables | **6,417,227** | 5,597,360 |
| Other assets | **121,167** | 56,126 |
| Pledged and restricted deposits | **24,548** | 39,514 |
| Cash and cash equivalents | **635,263** | 634,987 |
| | **7,198,205** | 6,327,987 |
| **Current liabilities** | | |
| Borrowings | **6,302,429** | 3,890,411 |
| Income tax payable | **14,142** | 18,142 |
| Trade and other liabilities | **1,601,473** | 1,263,417 |
| | **7,918,044** | 5,171,970 |
| **Net current assets** | **(719,839)** | 1,156,017 |
| **Total assets less current liabilities** | **4,496,489** | 5,742,767 |
| **Non-current liabilities** | | |
| Borrowings | **1,110,219** | 2,504,824 |
| Trade and other liabilities | **986,312** | 1,017,687 |
| | **2,096,531** | 3,522,511 |
| **NET ASSETS** | **2,399,958** | 2,220,256 |
| **CAPITAL AND RESERVES** | | |
| Share capital | **1,333,334** | 1,333,334 |
| Reserves | **1,066,624** | 886,922 |
| **TOTAL EQUITY** | **2,399,958** | 2,220,256 |

Approved and authorised for issue by the board of directors on March 15, 2024.

## 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, 2023, the number of consolidated structured entities of the Group was nine (December 31, 2022: eight). As at December 31, 2023, the total assets of the consolidated structured entities amounted to RMB2,418.9 million (December 31, 2022: RMB2,724.6 million).

## 30 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

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

## 31 COMPARATIVE FIGURES

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

## 32 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At December 31, 2023, the directors consider the immediate parent of the Group to be 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) and the ultimate controlling party of the Group to be Zhongguancun Development Group Co., Ltd (中關村發展集團股份有限公司).

## 33 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED DECEMBER 31, 2023

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 2023 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

| | **Effective for accounting periods beginning on or after** |
|---|---|
| Amendments to IAS 1, *Presentation of financial statements: Classification of liabilities as current or non-current ("**2020 amendments**")* | January 1, 2024 |
| Amendments to IAS 1, *Presentation of financial statements: Non-current liabilities with covenants ("**2022 amendments**")* | January 1, 2024 |
| Amendments to IFRS 16, *Lease liability in a sale and leaseback* | January 1, 2024 |
| Amendments to IAS 7, *Statement of cash flows and IFRS 7, Financial Instruments: Disclosures: Supplier finance arrangements* | January 1, 2024 |
| Amendments to IAS 21, *The effects of changes in foreign exchange rates: Lack of exchangeability* | January 1, 2025 |

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 material impact on the consolidated financial statements.

| | For the year ended December 31, | | | | |
|---|---|---|---|---|---|
| | **2023** | 2022 | 2021 | 2020 | 2019 |
| | ***RMB'000*** | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Operating Performance** | | | | | |
| Revenue | **833,627** | 743,146 | 656,943 | 587,565 | 515,340 |
| Interest income | **691,933** | 613,397 | 541,367 | 480,944 | 420,698 |
| Advisory fee income | **141,662** | 129,749 | 115,576 | 106,621 | 94,642 |
| Operating lease income | **32** | – | – | – | – |
| Other net income | **32,825** | 15,342 | 14,423 | 19,079 | 18,759 |
| **Interest expense** | **(292,824)** | (272,493) | (246,545) | (232,839) | (220,978) |
| Operating expense | **(170,887)** | (150,560) | (129,407) | (116,141) | (100,190) |
| Impairment losses charged | **(78,254)** | (49,580) | (53,004) | (44,467) | (27,768) |
| Share of gains/(losses) of associates | **21,910** | 15,136 | 19,391 | (1,687) | (265) |
| Net foreign exchange (losses)/gains | **(192)** | 109 | (175) | 3,999 | (12) |
| **Profit before taxation** | **346,205** | 301,100 | 261,626 | 215,509 | 184,886 |
| **Net profit** | **259,875** | 226,104 | 195,917 | 161,466 | 138,256 |
| **Basic and diluted earnings per Share *(in RMB)*** | **0.19** | 0.17 | 0.15 | 0.12 | 0.14 |
| **Profitability** | | | | | |
| Return on average equity (1) | **11.2%** | 10.6% | 9.9% | 9.8% | 10.3% |
| Return on average assets (2) | **2.2%** | 2.2% | 2.2% | 2.1% | 2.1% |
| Net interest margin (3) | **3.9%** | 3.7% | 3.8% | 3.6% | 3.4% |
| Net interest spread (4) | **2.9%** | 2.6% | 2.6% | 2.4% | 2.2% |
| Net profit margin (5) | **31.2%** | 30.4% | 29.8% | 27.5% | 26.8% |

*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.

| | For the year ended December 31, | | | | |
|---|---|---|---|---|---|
| | **2023** | 2022 | 2021 | 2020 | 2019 |
| | ***RMB'000*** | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Assets and liabilities** | | | | | |
| **Total assets** | **12,414,873** | 10,914,895 | 9,428,623 | 8,165,054 | 6,988,985 |
| loans and receivables | **11,207,248** | 9,819,652 | 8,472,832 | 7,382,156 | 6,424,127 |
| Operating lease assets | **13,274** | – | – | – | – |
| **Total liabilities** | **10,014,635** | 8,694,475 | 7,374,542 | 6,249,239 | 5,596,729 |
| Interest-bearing bank and other financing | **7,412,648** | 6,395,235 | 5,371,076 | 4,153,046 | 4,158,382 |
| **Total equity** | **2,400,238** | 2,220,420 | 2,054,081 | 1,915,815 | 1,392,256 |
| Net assets per share *(in RMB)* | **1.80** | 1.67 | 1.54 | 1.44 | 1.39 |
| **Financial assets and liabilities** [(1)] | | | | | |
| Financial assets | **13,162,689** | 11,614,974 | 10,076,299 | 8,766,671 | 7,436,344 |
| Financial liabilities | **9,779,341** | 8,593,416 | 7,285,454 | 6,212,404 | 5,614,668 |
| **Financial Indicators** | | | | | |
| Liability to asset ratio [(2)] | **80.7%** | 79.7% | 78.2% | 76.5% | 80.1% |
| Risk asset to equity ratio [(3)] | **488.8%** | 460.6% | 426.4% | 397.4% | 480.9% |
| Liquidity ratio [(4)] | **90.9%** | 122.4% | 137.1% | 104.0% | 117.7% |
| Gearing ratio [(5)] | **308.8%** | 288.0% | 261.5% | 216.8% | 298.7% |
| **Interest-earning asset quality** | | | | | |
| NPA ratio [(6)] | **1.7%** | 1.6% | 1.5% | 1.5% | 1.3% |
| Allowance coverage ratio for NPA [(7)] | **184.6%** | 173.7% | 175.9% | 163.2% | 158.0% |

*Notes:*

(1) Calculated based on contractual undiscounted cash flows.

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

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

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

(5) Calculated by dividing total borrowings by total equity.

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

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

## 1. BUSINESS REVIEW

### 1.1 Economic Conditions

In terms of macroeconomics, since 2023, the complexity, severity, and uncertainty of the international environment have increased, posing downward pressure on the global economy. Faced with this complex and challenging international environment and the arduous tasks of reform, development, and stability, China has accelerated the establishment of a new development pattern, deepened reform and opening up comprehensively, strengthened macro-control, focused on expanding domestic demand, optimizing the structure, boosting confidence, and preventing and resolving risks, promoting economic recovery and improvement, and advancing high-quality development steadily. China's GDP grew by 5.2% over the previous year in 2023, achieving the main expected targets.

In terms of the financial environment, global liquidity continued to tighten, overall inflation fell, but remained at a high level, and the relatively tight monetary policy also negatively impacted investment and consumption. In 2023, the People's Bank of China implemented precise and robust prudent monetary policies, reducing reserve requirement ratio and interest rates twice over the year, and combined with measures such as increased issuance of national bonds and the "Three Major Projects", maintained reasonable and ample liquidity, ensuring stable operation of the financial market, optimizing credit structure, stabilizing and reducing financing costs for the real economy, and continuously strengthening financial support policies for the real economy. Regarding support for new drivers such as science and technology innovation and green development, in 2023, all RMB400 billion quota for science and technology innovation reloans was fully utilized, and a total of RMB425.1 billion was added for carbon emission reduction support tools and special reloans for clean and efficient use of coal. Loans to SRDI (specialized, refined, differentiated and innovative) enterprises and technology-based SMEs grew faster than the overall loan growth rate by more than 5 percentage points.

In terms of the industrial environment, in 2023, China further implemented the innovation-driven development strategy, established the Central Science and Technology Commission, reorganized the Ministry of Science and Technology, continued to deepen the reform of the science and technology system, improved the new national system, strengthened national strategic science and technology capabilities, safeguarded high-level self-reliance and self-strengthening in science and technology, and steadily advanced key core technology breakthroughs in important areas, achieving phased breakthroughs successively. Modern information technology, artificial intelligence, big data and other technologies were widely applied, and innovation achievements continued to emerge, with new industries and products showing promising momentum. Science and technology innovation has become an important force driving economic transformation and upgrading, enhancing economic vitality.

In terms of the financial leasing industry environment, in October 2023, the National Financial Regulatory Administration of China issued the Notice on Promoting the Standardized Operation and Compliance Management of Financial Leasing Companies. The Notice proposes thirteen regulatory requirements from four aspects, including improving corporate governance and internal control mechanisms, regulating financial leasing business operations, targeted enhancement of financial regulatory effectiveness, and establishing and improving regulatory cooperation mechanisms. This will further promote the standardized and healthy development of the industry. From the perspective of various companies in the industry, leasing enterprises regard "returning to the essence of leasing and serving the real economy" as an important strategy for innovative development, "accelerating business digital transformation" as an important means to improve quality and efficiency, and focus on innovative industries such as intelligent manufacturing, artificial intelligence, digital economy, and green low-carbon as key strategic directions to optimize business planning and achieve improved efficiency.

**1.2 Company's Response**

In 2023, facing a complex and challenging internal and external environment, the Company effectively coordinated risk prevention and control with business development. The whole Company united as one, pooling efforts to further iterate our business models. We focused on key industries and regions, and continuously enhanced our services to the national strategies and the real economy. Despite intense market competition, the Company's revenue and profits grew steadily, profitability continued to improve, asset quality remained stable, and the industry & finance integration business model opened up new growth opportunities, promising a bright future.

**We have innovated our products and services, and our business performance has steadily increased.** In line with industry development trends, the Company increased the layout in the high-end equipment manufacturing, artificial intelligence, and industrial equipment industries. According to the needs of science and technology innovation enterprises, the Company actively launched industry & finance integrated and technology small and micro-sized finance products. Our three regional participating subsidiaries in Hangzhou, Suzhou, and Shenzhen continued to exert strong efforts, showing strong growth potential. Throughout the year, we achieved a business volume of approximately RMB8.593 billion, a year-on-year increase of 15.8%, and realized a "zero breakthrough" in operational leasing models.

**Financing channels were broadened through innovative means, and the cost of financing remained stable with a decrease.** In 2023, the Company continuously innovated financing tools, expanded diversified and stable financing channels. Throughout the year, we achieved financing of RMB9.485 billion to support business development. The Group obtained an AA+ credit rating with a stable rating outlook from Golden Credit Rating International Co., Ltd. ("**Golden Credit**"), marking an upgrade in credit rating. Meanwhile, the Company successfully issued the first phase of credit bonds for ultra-short-term financing notes, ABS, ABN, and other products, realized cooperation with the Bank of Communications' FastPay, and completed the scale financing of RMB syndicated loans from domestic and foreign banks.

**We further upgraded our core capabilities and asset quality remained stable.** In 2023, the Company has continuously enhanced its credit and value discovery capabilities, optimized rating models and applications, improved the scientific and refined risk characterization ability of the models, and continuously improved the accuracy of risk identification for science and technology innovation enterprises. Our company has improved its comprehensive risk management system, continuously increased investment in digital and standardization construction, and continuously enhanced its risk prevention capabilities while ensuring efficient and stable business operations, ensuring the safety of our company's assets.

**The business model is more comprehensive, with mutual empowerment of leasing, investment, and services, and we expected promising returns.** In 2023, the Company's funds, Beijing Zhongnuo's investment projects – Yidian Cloud and Baitong Energy – successfully completed IPOs on the Hong Kong Stock Exchange and Shenzhen Stock Exchange, respectively. On the basis of the original "leasing-based equity investment" model, the Company further introduced the "industry & finance integration" model, which deeply integrated financial capital with industrial capital through equity, debt, and personnel arrangements, promoting the synchronous improvement of financial efficiency and industrial efficiency, and realizing value creation. Under this model, the three sectors of leasing, investment, and service can fully leverage their respective advantages, promote each other, and generate a flywheel effect to help the Company achieve high-quality development.

### 1.3 Business innovation

The industry & finance integration business is the new engine driving the high-quality development of the Company.

- Firstly, it diversifies the Company's revenue and profit structure. The Company has shifted from mainly relying on finance lease income to obtaining finance lease income, equipment service income, non-financial service income, and investment income.

- Secondly, it improves the asset quality of the Company. From an individual enterprise perspective, the industry & finance integration business, by means of equity investment and personnel arrangements, essentially shifting the Company's risk management forward by involving the Company in the corporate governance and decision-making processes of customers. From an overall industry perspective, the industry & finance integration business deepens the Company's involvement in segmented industry tracks, adapts to industry changes, and extends our reach along the industrial chain, securing core quality assets.

- Thirdly, it enhances the profitability of the Company. On the operation front, industry & finance integration promotes industry focus, improves marketing efficiency, increases per capita asset management scale, and reduces operation costs. On the product side, the transaction structure of industry & finance integration is complex, offering substantial bargaining power and effectively avoiding product homogeneity and price competition.

- Fourthly, it enables faster business growth of the Company. Through industry & finance integration, as well as corresponding equity investment and personnel arrangements, the Company can deeply bind with science and technology innovation enterprises, improve stickiness, and continue to accompany the high-speed growth of science and technology innovation SMEs, achieve its own business growth and value enhancement, and genuinely share risks, benefits, and growth with customers.

Below are typical cases of the Company's industry & finance integration business:

**Case I:**

In December 2023, the Company signed a strategic cooperation agreement with Beijing TAGE IDriver Technology Co., Ltd. ("**TAGE IDriver**"), a leading autonomous mining solution provider, to jointly establish an asset operation platform with industrial resource partners. The Company, in collaboration with its subsidiary fund Beijing Zhongnuo, adopted a "leasing + investment + services" cooperation model, making an investment of several tens of millions of RMB to participate in the establishment of a joint venture platform. At the same time, it provided equipment leasing services, building an operational and maintenance service system unmanned wide body dump truck. This established a virtuous cycle of "market – capital – technology – service", facilitating the rapid and efficient implementation of a new model for unmanned vehicle transportation services in mining areas. Over the next three years, the Company will provide more than RMB1 billion in financial support through this cooperation model, fully unlocking the potential of the unmanned vehicle market in mining areas and providing new ideas, solutions, and models for the development of the industry.

**Case II:**

In November 2023, the Company signed a strategic cooperation agreement with HOREN Cortp Co., Ltd. ("**HOREN**"), a provider of smart green supply chain services, to jointly establish an asset operation platform. The Company, in collaboration with its subsidiary fund Beijing Zhongnuo, adopted a "leasing + investment + services" cooperation model, making an investment in equity and establish a joint venture platform and providing equipment leasing services. This effort further expanded the application scenarios of HOREN in the industry, enhanced the digitization and platformization of the entire industrial chain, and perfected a nationwide circular operation network. Over the next three years, the Company will provide RMB600 million in financial support through this model. This initiative is designed to offer green and intelligent packaging recycling services for key sub-industries with high industry concentration, high maturity, and significant environmental governance pressures. It aims to support the manufacturing industry's ESG and sustainable development efforts.

**Case III:**

In November 2023, the Company signed a strategic cooperation agreement with Guangdong Mogulinker Technology Co., Ltd. ("**Mogulinker**"), a supplier of digital intelligent management systems for air compressors, to jointly establish an asset operation platform. The Company, in collaboration with its subsidiary fund Beijing Zhongnuo, adopted a "leasing + investment + services" cooperation model, making an investment of tens of millions of RMB to participate in the establishment of a joint operation platform. Additionally, it provided equipment leasing services to assist Mogulinker in tapping into the gas sales market. Through strategic cooperation, integrating the advantages of Mogulinker and the Company, we aim to fully cover and tap into the gas demand of various customers on the industrial chain. Over the next three years, the Company plans to provide RMB1 billion in financial support to the joint operation platform, focusing on high-energy-consuming auxiliary energy workshops. By adopting a digital energy management service model, we aim to systematically identify and address issues in the energy production, transmission, and utilization processes of industrial enterprises and create measurable energy-saving and carbon reducing value for customers, achieve cost reduction and efficiency improvement goals, and assist in achieving the national "dual carbon" goals.

## 2. ANALYSIS OF PROFIT OR LOSS

### 2.1 Overview

In 2023, 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 2023, the Group realized a total revenue of RMB833.6 million, representing a 12.2% year-on-year growth, and the profit during the year increased to RMB259.9 million, representing a 14.9% year-on-year growth.

### 2.2 Revenue

The revenue of the Group increased by 12.2% from RMB743.1 million in 2022 to RMB833.6 million in 2023, and the interest income and advisory fee income recorded stable growth. At the same time, Industry & Finance Integration Business has shown initial results. In 2023, the Group realized an interest income of RMB691.9 million, accounting for 83.0% of the total revenue and representing a 12.8% year-on-year growth. Advisory fee income increased by 9.2% to RMB141.7 million in 2023.First confirmation of operating lease income of RMB32 thousand.

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, | | | | |
|---|---|---|---|---|---|
| | **2023** | | 2022 | | **Changes** |
| | ***RMB'000*** | ***% of total*** | *RMB'000* | *% of total* | |
| Interest income | **691,933** | **83.0%** | 613,397 | 82.5% | 12.8% |
| Advisory fee income | **141,662** | **17.0%** | 129,749 | 17.5% | 9.2% |
| Operating lease income | **32** | **0.0%** | – | – | – |
| **Total revenue** | **833,627** | **100.0%** | 743,146 | 100.0% | 12.2% |

The Group's customers are mainly concentrated in five technology and new economy industries: artificial intelligence, dual carbon, biological and medicine, intelligent manufacturing and new consumption. In 2023, the Group continued to cultivate technology and new economy industries, and optimize the asset structure. In 2023, the revenue of intelligent manufacturing increased by 54.7% compared with the last year.

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

| | For the year ended December 31, | | | | |
|---|---|---|---|---|---|
| | **2023** | | 2022 | | **Changes** |
| | ***RMB'000*** | ***% of total*** | *RMB'000* | *% of total* | |
| Intelligent manufacturing | **271,027** | **32.5%** | 175,185 | 23.6% | 54.7% |
| Dual carbon | **192,512** | **23.1%** | 207,724 | 27.9% | (7.3%) |
| Biological and medicine | **153,024** | **18.4%** | 159,581 | 21.5% | (4.1%) |
| New consumption | **110,968** | **13.3%** | 101,590 | 13.7% | 9.2% |
| Artificial intelligence | **86,489** | **10.4%** | 81,316 | 10.9% | 6.4% |
| Others | **19,575** | **2.3%** | 17,750 | 2.4% | 10.3% |
| **Total revenue** | **833,595** | **100.0%** | 743,146 | 100.0% | 12.2% |

In 2023, 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 science and technology innovation enterprises 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, | | | | |
|---|---|---|---|---|---|
| | **2023** | | 2022 | | **Changes** |
| | ***RMB'000*** | ***% of total*** | *RMB'000* | *% of total* | |
| Northern | **319,750** | **38.3%** | 318,842 | 42.9% | 0.3% |
| Eastern | **267,604** | **32.1%** | 205,730 | 27.7% | 30.1% |
| Southern | **89,762** | **10.8%** | 58,209 | 7.8% | 54.2% |
| Central | **65,850** | **7.9%** | 67,258 | 9.1% | (2.1%) |
| Northwestern | **39,184** | **4.7%** | 38,805 | 5.2% | 1.0% |
| Northeastern | **28,799** | **3.5%** | 35,105 | 4.7% | (18.0%) |
| Southwestern | **22,646** | **2.7%** | 19,197 | 2.6% | 18.0% |
| **Total revenue** | **833,595** | **100.0%** | 743,146 | 100.0% | 12.2% |

### *2.2.1 Interest Income*

The interest income of the Group increased by 12.8% from RMB613.4 million in 2022 to RMB691.9 million in 2023, accounting for 83.0% 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, | | | | | |
|---|---|---|---|---|---|---|
| | **2023** | | | 2022 | | |
| | **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* | *%* |
| Dual carbon | **2,422,018** | **172,490** | **7.1%** | 2,663,944 | 187,297 | 7.0% |
| Biological and medicine | **1,823,727** | **123,403** | **6.8%** | 1,799,087 | 130,484 | 7.3% |
| Intelligent manufacturing | **3,593,227** | **213,799** | **6.0%** | 2,340,146 | 131,136 | 5.6% |
| New consumption | **1,509,870** | **92,085** | **6.1%** | 1,302,919 | 82,667 | 6.3% |
| Artificial intelligence | **1,282,981** | **74,605** | **5.8%** | 1,073,576 | 65,919 | 6.1% |
| Others | **205,388** | **15,551** | **7.6%** | 226,620 | 15,894 | 7.0% |
| **Total** | **10,837,209** | **691,933** | **6.4%** | 9,406,292 | 613,397 | 6.5% |

*Notes:*

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

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

*Analysis by average balance of interest-earning assets*

The average balance of interest-earning assets increased by 15.2% from RMB9,406.3 million in 2022 to RMB10,837.2 million in 2023. Particularly, intelligent manufacturing demonstrated strong growth in the scale, with an increase of 53.5%, as compared to the previous year.

*Analysis by average yield of interest-earning assets*

In 2023, the average yield of interest-earning assets of the Group was 6.4%, representing a deduction of 0.1 percentage point from 6.5% in the last year. The Group's interest expense yield decreased from 3.9% to 3.7%. 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 as a financial partner of science and technology innovation enterprises.

### 2.2.2 Advisory Fee Income

The advisory fee income of the Group increased by 9.2% from RMB129.7 million in 2022 to RMB141.7 million in 2023, accounting for 17.0% 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, | | | | |
|---|---|---|---|---|---|
| | **2023** | | 2022 | | **Changes** |
| | ***RMB'000*** | ***% of total*** | *RMB'000* | *% of total* | |
| Management and business advisory fee income | **41,660** | **29.4%** | 38,899 | 30.0% | 7.1% |
| Policy advisory fee income | **100,002** | **70.6%** | 90,850 | 70.0% | 10.1% |
| **Total advisory fee income** | **141,662** | **100.0%** | 129,749 | 100.0% | 9.2% |

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

| | For the year ended December 31, | | | | |
|---|---|---|---|---|---|
| | **2023** | | 2022 | | **Changes** |
| | ***RMB'000*** | ***% of total*** | *RMB'000* | *% of total* | |
| Dual carbon | **20,022** | **14.1%** | 20,427 | 15.7% | (2.0%) |
| Biological and medicine | **29,622** | **20.9%** | 29,097 | 22.4% | 1.8% |
| Intelligent manufacturing | **57,226** | **40.4%** | 44,048 | 33.9% | 29.9% |
| Artificial intelligence | **11,884** | **8.4%** | 15,398 | 11.9% | (22.8%) |
| New consumption | **18,883** | **13.3%** | 18,923 | 14.6% | (0.2%) |
| Others | **4,025** | **2.8%** | 1,856 | 1.4% | 116.9% |
| **Total revenue** | **141,662** | **100.0%** | 129,749 | 100.0% | 9.2% |

## 2.3 Interest Expense

The interest expense of the Group increased by 7.5% from RMB272.5 million in 2022 to RMB292.8 million in 2023, 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, | | | | |
|---|---|---|---|---|---|
| | **2023** | | 2022 | | **Changes** |
| | ***RMB'000*** | ***% of total*** | *RMB'000* | *% of total* | |
| Commercial banks | **131,508** | **44.9%** | 111,864 | 41.1% | 17.6% |
| Borrowings from related parties [1] | **20,185** | **6.9%** | 17,229 | 6.3% | 17.2% |
| Asset-backed securities | **83,636** | **28.6%** | 80,607 | 29.6% | 3.8% |
| Imputed on interest-free guaranteed deposits | **56,263** | **19.2%** | 61,128 | 22.4% | (8.0%) |
| Lease liabilities | **1,232** | **0.4%** | 1,665 | 0.6% | (26.0%) |
| **Total interest expense** | **292,824** | **100.0%** | 272,493 | 100.0% | 7.5% |

*Note:*

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

In 2023, the interest income rate of the Group was 3.7%, 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, | | | | | |
|---|---|---|---|---|---|---|
| | **2023** | | | 2022 | | |
| **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 | **3,359,101** | **131,508** | **3.9%** | 2,732,966 | 111,864 | 4.1% |
| Borrowings from related parties | **459,615** | **20,185** | **4.4%** | 421,538 | 17,229 | 4.1% |
| Asset-backed securities | **2,517,695** | **83,636** | **3.3%** | 2,238,773 | 80,607 | 3.6% |
| **Total borrowings** | **6,336,411** | **235,329** | **3.7%** | 5,393,277 | 209,700 | 3.9% |

*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 2023 was 2.9%, representing a increase of 0.3 percentage point from 2.6% in the previous year. The net interest margin of the Group in 2023 was 3.9%, representing a increase of 0.2 percentage point from 3.7% in the previous year, mainly because the growth rate of net interest income was faster 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,** | | |
|---|---|---|---|
| | **2023** | 2022 | **Changes** |
| | ***RMB'000*** | *RMB'000* | |
| Interest income | **691,933** | 613,397 | 12.8% |
| Interest expenses | **(292,824)** | (272,493) | 7.5% |
| Net interest income | **399,109** | 340,904 | 17.1% |
| Interest income yield (1) | **6.7%** | 6.7% | 0.0% |
| Interest expense yield (2) | **3.8%** | 4.1% | (7.3%) |
| Net interest spread (3) | **2.9%** | 2.6% | 11.5% |
| Net interest margin (4) | **3.9%** | 3.7% | 5.4% |

*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 2023, other net income obtained by the Group was RMB32.8 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, | | |
|---|---|---|---|
| | **2023** | 2022 | **Changes** |
| | ***RMB'000*** | *RMB'000* | |
| Deductible value-added tax deduction | **21,349** | – | – |
| Government grants | **1,075** | 5,426 | (80.2%) |
| Interests from deposits | **4,220** | 4,428 | (4.7%) |
| Investment income | **2,948** | 247 | 1,093.5% |
| Income from related parties | **423** | 4,260 | (90.1%) |
| Others | **2,810** | 981 | 186.4% |
| **Total other net income** | **32,825** | 15,342 | 114.0% |

### 2.6 Operating Expense

In 2023, operating expense of the Group amounted to RMB170.9 million, representing an increase of RMB20.3 million or a growth rate of 13.5%.

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

| | For the year ended December 31, | | | | |
|---|---|---|---|---|---|
| | **2023** | | 2022 | | **Changes** |
| | ***RMB'000*** | ***% of total*** | *RMB'000* | *% of total* | |
| Staff cost | **94,945** | **55.6%** | 87,595 | 58.2% | 8.4% |
| Rental expense | **2,494** | **1.5%** | 2,309 | 1.5% | 8.0% |
| Service expense | **33,379** | **19.5%** | 21,784 | 14.5% | 53.2% |
| Depreciation and amortization | **16,102** | **9.4%** | 19,589 | 13.0% | (17.8%) |
| Professional service expense | **5,985** | **3.5%** | 7,378 | 4.9% | (18.9%) |
| Others | **17,982** | **10.5%** | 11,905 | 7.9% | 51.0% |
| **Total operating expense** | **170,887** | **100.0%** | 150,560 | 100.0% | 13.5% |

## 2.7 Impairment Losses Charged

Impairment losses charged primarily related to loans and receivables and credit commitments of the Group. In 2023, the expected credit impairment losses of the Group amounted to RMB78.3 million, representing a year-on-year increase of 57.8%. Affected by 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, | | |
|---|---|---|---|
| | ***2023*** | 2022 | **Changes** |
| | ***RMB'000*** | *RMB'000* | |
| Finance lease receivables | **78,174** | 49,246 | 58.7% |
| Credit commitments [1] | **80** | 334 | (76.0%) |
| **Impairment losses charged** | **78,254** | 49,580 | 57.8% |

*Note:*

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

## 2.8 Income Tax Expense

In 2023, income tax expense of the Group was RMB86.3 million, an increase of RMB11.3 million or 15.1% as compared to the previous year, contributed by the increase of pre-tax profit. The effective tax rate of the Group in 2023 was 24.9%.

## 2.9 Profit for the Year

The net profit of the Group in 2023 was RMB259.9 million, representing an increase of RMB33.8 million, or a growth rate of 14.9% from 2022. The increase in profit for the year was the combined effect of (i) the increase of 12.2% in the revenue, (ii) the increase of 7.5% in interest expense; and (iii) the Group's leasing-investment linkage business progressed smoothly, and the investment income in associates was RMB21.9 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 2023 amounted to RMB0.19, representing an increase of RMB0.02 from 2022, due to the further enhancement of the Group's profitability in 2023.

## 3. ANALYSIS OF FINANCIAL POSITION

### 3.1 Assets (Overview)

As of December 31, 2023, the total assets of the Group amounted to RMB12,414.9 million, representing a growth of RMB1,500.0 million or 13.7% as compared to the end of last year. Loans and receivables amounted to RMB11,207.2 million, representing an increase of RMB1,387.6 million or 14.1% as compared to the end of last year. In terms of the asset structure, loans and receivables accounted for 90.3% of total assets, and cash and cash equivalents accounted for 5.1% of total assets.

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

| | **As of December 31, 2023** | | As of December 31, 2022 | | **Changes** |
|---|---|---|---|---|---|
| | ***RMB'000*** | ***% of total*** | *RMB'000* | *% of total* | |
| Loans and receivables | **11,207,248** | **90.3%** | 9,819,652 | 90.1% | 14.1% |
| Pledged and restricted deposits | **46,117** | **0.4%** | 53,754 | 0.5% | (14.2%) |
| Cash and cash equivalents | **635,263** | **5.1%** | 634,987 | 5.8% | 0.0% |
| Other receivables | **100,118** | **0.8%** | 42,311 | 0.4% | 136.6% |
| Deferred tax assets | **92,540** | **0.7%** | 75,843 | 0.7% | 22.0% |
| Property and equipment | **35,965** | **0.3%** | 36,350 | 0.3% | (1.1%) |
| Interest in associates | **264,525** | **2.1%** | 190,689 | 1.7% | 38.7% |
| Financial assets at fair value through other comprehensive income | **12,224** | **0.1%** | 12,299 | 0.1% | (0.6%) |
| Financial assets at fair value through profit or loss | **1,317** | **0.0%** | 33,181 | 0.3% | (96.0%) |
| Intangible assets | **19,556** | **0.2%** | 15,829 | 0.1% | 23.5% |
| **Total assets** | **12,414,873** | **100.0%** | 10,914,895 | 100.0% | 13.7% |

### 3.2 Loans and Receivables

In 2023, the Group entered into 727 financial lease contracts with 593 lessees. Driven by the expansion of business scale, our loans and receivables continued to climb. As of December 31, 2023, net amount of loans and receivables of the Group amounted to RMB11,570.1 million, representing a soar of 14.5% 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, 2023** ***RMB'000*** | As of December 31, 2022 *RMB'000* | **Changes** |
|---|---|---|---|
| **Gross amount of loans and receivables** | **12,463,129** | 10,872,502 | 14.6% |
| Less: Unearned finance income | **(893,035)** | (768,178) | 16.3% |
| **Net amount of loans and receivables** | **11,570,094** | 10,104,324 | 14.5% |
| Less: Allowances for impairment losses | **(362,846)** | (284,672) | 27.5% |
| **Carrying amount of loans and receivables** | **11,207,248** | 9,819,652 | 14.1% |

### *3.2.1 Industry Profile of Loans and Receivables*

In 2023, 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 RMB1,481.8 million, representing an increase of 52.0%.

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, 2023** | | As of December 31, 2022 | | **Changes** |
|---|---|---|---|---|---|
| | ***RMB'000*** | ***% of total*** | *RMB'000* | *% of total* | |
| Intelligent manufacturing | **4,334,136** | **37.5%** | 2,852,318 | 28.2% | 52.0% |
| Double carbon | **2,300,645** | **19.9%** | 2,534,390 | 25.2% | (9.5%) |
| Biological and medicine | **1,783,497** | **15.4%** | 1,863,957 | 18.4% | (4.3%) |
| New consumption | **1,599,261** | **13.8%** | 1,420,478 | 14.1% | 12.6% |
| Artificial intelligence | **1,332,616** | **11.5%** | 1,233,345 | 12.2% | 8.0% |
| Others | **219,939** | **1.9%** | 190,856 | 1.9% | 15.3% |
| **Net amount of loans and receivables** | **11,570,094** | **100.0%** | 10,104,324 | 100.0% | 14.5% |

### *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, 2023** | | As of December 31, 2022 | | **Changes** |
|---|---|---|---|---|---|
| | ***RMB'000*** | ***% of total*** | *RMB'000* | *% of total* | |
| Northern | **4,048,618** | **35.0%** | 4,157,549 | 41.1% | (2.6%) |
| Eastern | **3,990,084** | **34.5%** | 3,063,495 | 30.3% | 30.2% |
| Southern | **1,297,651** | **11.2%** | 976,947 | 9.7% | 32.8% |
| Central | **941,381** | **8.1%** | 857,399 | 8.5% | 9.8% |
| Northwestern | **638,480** | **5.5%** | 437,624 | 4.3% | 45.9% |
| Northeastern | **265,701** | **2.3%** | 371,783 | 3.7% | (28.5%) |
| Southwestern | **388,179** | **3.4%** | 239,527 | 2.4% | 62.1% |
| **Net amount of loans and receivables** | **11,570,094** | **100.0%** | 10,104,324 | 100.0% | 14.5% |

### *3.2.3 Maturity Profile of Loans and Receivables*

As of December 31, 2023, 58.4% of the net amount of loans and receivables of the Group as set out in the table above was due not later than one year. As the Group promoted balanced business development, it is expected that the cash inflow from operation will remain stable in the future.

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

| | **As of December 31, 2023** | | As of December 31, 2022 | | **Changes** |
|---|---|---|---|---|---|
| | ***RMB'000*** | ***% of total*** | *RMB'000* | *% of total* | |
| **Maturity** | | | | | |
| Not later than 1 year | **6,757,494** | **58.4%** | 5,858,002 | 58.0% | 15.4% |
| 1 to 2 years | **3,449,703** | **29.8%** | 3,136,579 | 31.0% | 10.0% |
| 2 to 3 years | **1,101,076** | **9.5%** | 918,325 | 9.1% | 19.9% |
| Over 3 years | **261,821** | **2.3%** | 191,418 | 1.9% | 36.8% |
| **Net amount of loans and receivables** | **11,570,094** | **100.0%** | 10,104,324 | 100.0% | 14.5% |

### *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 2023, due to factors such as a slowdown in economic recovery and stricter industry regulation, the overall scale of financing leasing has decreased, and internal differentiation within the industry has intensified. Faced with changes in economic and financial forms and increasingly fierce market competition, our group continues to adhere to reform and innovation, and strives for progress while maintaining stability. In 2023, the Group's asset size will continue to grow steadily, the provision coverage rate will steadily increase, and the asset quality will remain stable.

*Adhere to the track of science and technology innovation enterprises, continue to innovate products, and expand channels for introducing high-quality assets*

During the reporting period, our group adhered to the track of science and technology innovation enterprises, developed small and micro science and technology innovation products based on the characteristics of science and technology innovation enterprises, and improved the service efficiency of science and technology innovation enterprises; Deepen into the business scenarios of physical enterprises, focus on creating products that combine industry and finance, and rely on assets to help physical enterprises expand their high-quality asset scale and enhance customer value.

*Continuously improving the standardization, intelligence, refinement, and systematic management level of asset management*

During the reporting period, the Group continuously strengthened its ability to evaluate the value of leased property, improved the efficiency of leased property evaluation through standardization and model optimization, and improved the per capita efficiency of leased property review. Continuously strengthen the refinement, intelligence, and systematization of asset management through institutional construction and technological means.

*Properly carrying out asset preservation and improving asset quality*

During the reporting period, the Group strengthened the collection and disposal of overdue projects, adhering to long-term mechanisms such as leadership group decision-making, dedicated personnel follow-up, and regular tracking and supervision; Establish an external law firm cooperation mechanism to promote progress in some complex cases.

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

| | **As of December 31, 2023** | | As of December 31, 2022 | | **Changes** |
|---|---|---|---|---|---|
| | ***RMB'000*** | ***% of total*** | *RMB'000* | *% of total* | |
| Normal | **10,785,884** | **93.2%** | 9,564,672 | 94.6% | 12.8% |
| Special mention | **587,675** | **5.1%** | 375,778 | 3.7% | 56.4% |
| Sub-standard | **76,862** | **0.7%** | 78,302 | 0.8% | (1.8%) |
| Doubtful | **50,740** | **0.4%** | 16,578 | 0.2% | 206.1% |
| Loss | **68,933** | **0.6%** | 68,994 | 0.7% | (0.1%) |
| **Net amount of finance lease receivables** | **11,570,094** | **100.0%** | 10,104,324 | 100.0% | 14.5% |
| **NPAs** | **196,535** | | 163,874 | | 19.9% |
| **NPAs ratio** | **1.7%** | | 1.6% | | 4.7% |

In 2023, 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. The total asset size of the Group has increased by 14.5% compared to the beginning of the year, and the normal asset size has reached RMB10,785.9 million, accounting for 93.2%, an increase of 12.8% compared to the beginning of the year.The NPAs ratio was 1.7%, an increase of 0.1 percentage points from the beginning of the year, which is at a safe and controllable level.

As of December 31, 2023, the assets under special mention accounted for 5.1%, representing a increase of 1.4 percentage point from 3.7% as of December 31, 2022.

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, 2023** | | As of December 31, 2022 | | **Changes** |
|---|---|---|---|---|---|
| | ***RMB'000*** | ***% of total*** | *RMB'000* | *% of total* | |
| Intelligent manufacturing | **139,559** | **23.8%** | 135,320 | 35.9% | 3.1% |
| Dual carbon | **107,484** | **18.3%** | 80,983 | 21.6% | 32.7% |
| Biological and medicine | **64,051** | **10.9%** | 41,566 | 11.1% | 54.1% |
| New consumption | **227,721** | **38.7%** | 75,113 | 20.0% | 203.2% |
| Artificial intelligence | **39,351** | **6.7%** | 31,661 | 8.4% | 24.3% |
| Others | **9,509** | **1.6%** | 11,135 | 3.0% | (14.6%) |
| **Total special mention** | **587,675** | **100.0%** | 375,778 | 100.0% | 56.4% |

The assets under special mention in the intelligent manufacturing industry accounted for 23.8% of the total assets under special mention in 2023, an increase of 3.1% from the previous year. Mainly due to the macroeconomic impact on some customers, there is a certain cyclical fluctuation in downstream customer demand, which puts some customers under certain business pressure.The Group has prudently adjusted some of the assets in this segment to special-mentioned assets.

The assets under special mention in the dual carbon industry accounted for 18.3% of the total assets under special mention in 2023, an increase of 32.7% from the previous year. Mainly due to the extended payment terms of some downstream customers, the company's funding chain has been affected to a certain extent. The Group has prudently adjusted some of the assets in this segment to special-mentioned assets.

The assets under special mention in the biological and medicine industry accounted for 10.9% of the total assets under special mention in 2023, a significant increase of 54.1% from the previous year. Mainly due to changes in market demand for local products among some biological and medicine industry customers after the end of the epidemic in 2023, the business of some biological and medicine customers was facing the impact of transformation, leading to temporary financial chain tension among customers. The Group has prudently adjusted some of the assets in this sector to special mention assets.

The assets under special mention in the new consumption industry accounted for 38.7% of the total assets under special mention in 2023, a significant increase of 203.2% from the previous year. Mainly due to the recovery of market demand after the end of the epidemic, some new consumer industry customers had higher operating capital requirements, resulting in temporary financial constraints. The Group has prudently adjusted some of the assets in this sector to special mention assets.

The assets under special mention in the artificial intelligence industry accounted for 6.7% of the total assets under special mention in 2023, a significant increase of 24.3% from the previous year. Mainly due to the influence of geopolitical factors on some customers during the process of product export, the business environment was affected to a certain extent, resulting in temporary financial constraints. The Group has prudently adjusted some of the assets in this sector to special mention assets.

The assets under special mention in the other industry accounted for 1.6% of the total assets under special mention in 2023, a significant decrease of 14.6% from the previous year. Mainly due to the group's further specialization and focus this year, reducing asset investment in other industries, and actively resolving the stock of focused assets, the stock and proportion of focused assets in other industries significantly decreased.

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

| | **As of December 31, 2023** | | As of December 31, 2022 | | **Changes** |
|---|---|---|---|---|---|
| | ***RMB'000*** | ***% of total*** | *RMB'000* | *% of total* | |
| Artificial intelligence | **64,007** | **32.6%** | 66,937 | 40.9% | (4.4%) |
| Dual carbon | **28,131** | **14.3%** | 29,627 | 18.1% | (5.0%) |
| New consumption | **21,719** | **11.1%** | 17,852 | 10.9% | 21.7% |
| Intelligent manufacturing | **67,290** | **34.2%** | 43,406 | 26.5% | 55.0% |
| Biological and medicine | **3,357** | **1.7%** | 3,357 | 2.0% | 0.0% |
| Others | **12,030** | **6.1%** | 2,695 | 1.6% | 346.4% |
| **Total NPAs** | **196,534** | **100.0%** | 163,874 | 100.0% | 19.9% |

In 2023, the NPAs of new consumption industry accounted for 11.1% of the total NPAs, an increase of 21.7% over the previous year. Mainly due to the emergence of alternative products, the market demand faced by customers has sharply decreased, and some customers have encountered operational difficulties and difficulties in capital return. The Group prudently classifies the assets of this sector as NPAs.

The NPAs in the in the intelligent manufacturing industry accounted for 34.2% of the total NPAs in 2023, a increase of 55.0% over the previous year. Mainly due to the decline in income of individual customers during the epidemic, weak subsequent business recovery, and the phenomenon of other financial institutions withdrawing loans, the enterprise's funding chain has been broken.The Group prudently classifies the assets of this sector as NPAs.

The NPAs in the other industry accounted for 6.1% of the total NPAs in 2023, an increase of 346.4% over the previous year. Mainly due to the small market segmentation space and weak risk resistance ability of individual customers, the risk resolution channels are relatively small in terms of specialization.The Group prudently classifies the assets of this sector as NPAs.

### *3.2.5 Impairment and Allowances for Loans and Receivables*

The Group adopts the expected loss model to measure financial instruments in accordance with accounting standards. The allowances for interest-earning assets of the Group increased by RMB78.1 million from RMB284.7 million as of December 31, 2022 to RMB362.8 million as of December 31, 2023.

As of December 31, 2023, ratio of allowances for impairment losses to loans and receivables of the Group was 184.6%, which was 10.9 percentage point higher than that as of December 31, 2022. The management of the Group believes that prudent risk management policy is crucial to the sustainable growth of the Group, and are committed to continuously improving the provision coverage of loans and receivables, and laying a solid foundation for the long-term development of the Group.

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

| | **As of December 31, 2023** | | As of December 31, 2022 | |
|---|---|---|---|---|
| | ***RMB'000*** | ***% of total*** | *RMB'000* | *% of total* |
| Allowances for NPAs | **151,611** | **41.8%** | 116,334 | 40.9% |
| Allowances for assets under normal and special mention categories | **211,235** | **58.2%** | 168,338 | 59.1% |
| **Total allowance for loans and receivables** | **362,846** | **100.0%** | 284,672 | 100.0% |
| **NPAs** | **196,534** | | 163,874 | |
| **Ratio of allowances for impairment losses to loans and receivables** | **184.6%** | | 173.7% | |

The Group has been closely monitoring the credit quality of finance lease receivables by monitoring their ECL. As of December 31, 2023, ECL rate of financial lease receivables of the Group in stage one, stage two and stage three was 0.4%, 1.0% and 47.2% respectively. Compared with the end of the previous year, the asset structure of the Group has remained stable. As of December 31, 2023, the assets of the Group in Stage 1 accounted for 93.4%, decreased by 1.3 percentage point compared with the previous year, and the assets of Stage 2 and Stage 3 accounted for 0.8% and 5.8% respectively, increased by 0.4 percentage point and 0.8 percentage point compared with the previous year. At the same time, due to prudential considerations, he overall expected loss rate of assets has been raised to 3.1%, an increase of 10.7% 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 | Not | | |
| | ECL balance | credit-impaired | Credit-impaired | Total |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **December 31, 2023** | | | | |
| **ECL rate%** | **0.4%** | **1.0%** | **47.2%** | **3.1%** |
| Net amount of loans and receivables | **10,798,172** | **88,456** | **683,466** | **11,570,094** |
| Allowance for impairment loss | **39,578** | **920** | **322,348** | **362,846** |
| Net value of accounts receivable | **10,758,594** | **87,536** | **361,118** | **11,207,248** |
| **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 |

### 3.3 Others

As of December 31, 2023, cash and cash equivalents of the Group amounted to RMB635.3 million. The Group retained adequate cash to support business expansion and ensures its liquidity and safety. Restricted deposit of the Group amounted to RMB46.1 million, primarily comprising restricted bank deposits for bank acceptances, factorings and asset-backed securities business.

As of December 31, 2023, the balance of trade and other receivables of the Group amounted to RMB100.1 million, mainly including advance payments to suppliers for purchase of equipment and deductible value-added input tax.

As of December 31, 2023, the balance of deferred tax assets of the Group amounted to RMB92.5 million, which were mainly derived from the temporary difference between net profit and taxable income in the financial report.

As of December 31, 2023, the balance of property and equipment of the Group amounted to RMB36.0 million, mainly including right-of-use assets and office equipment and computers for our employees.

As of December 31, 2023, the balance of interest in associates/joint ventures of the Group amounted to RMB264.5 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, 2023, the balance of financial assets at fair value through other comprehensive income of the Group amounted to RMB12.2 million, which was the strategic equity investment in Beijing Zhongguancun Synergetic Innovation Investment Fund Management Co., Ltd.

As of December 31, 2023, the balance of financial assets at fair value through profit or loss of the Group amounted to RMB1.3 million, which was the equity investment in Beijing YuanBio Angel Venture Capital Partnership (Limited Partnership)(北京市元生天使創業投資合夥企業(有限合夥)) and Langfang Wantai Composite Materials Co., Ltd (廊坊萬泰複合材料有限責任公司).

As of December 31, 2023, the balance of intangible assets of the Group amounted to RMB19.6 million, mainly including software used in our business operations and risk management functions.

## 3.4 Liabilities (Overview)

As of December 31, 2023, the total liabilities of the Group amounted to RMB10,014.6 million, representing an increase of RMB1,320.2 million or a growth rate of 15.2% as compared to December 31, 2022. Borrowings were the main component of the liabilities, accounting for 74.1%.

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

| | **As of December 31, 2023** | | As of December 31, 2022 | | **Changes** |
|---|---|---|---|---|---|
| | ***RMB'000*** | ***% of total*** | *RMB'000* | *% of total* | |
| Borrowings | **7,412,648** | **74.1%** | 6,395,235 | 73.6% | 15.9% |
| Trade and other liabilities | **2,587,845** | **25.8%** | 2,281,098 | 26.2% | 13.4% |
| Income tax payable | **14,142** | **0.1%** | 18,142 | 0.2% | (22.0%) |
| **Total liabilities** | **10,014,635** | **100.0%** | 8,694,475 | 100.0% | 15.2% |

## 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 2023, the Group successfully registered RMB3 billion of ultra short term financing bonds and achieved initial issuance within the year, raising RMB400 million and issuing three phases of asset-backed securities products, raising RMB1.58 billion.In terms of empowering the development of the real economy through finance and serving technological innovation, state-owned capital has fully played its social responsibility. By the end of 2023, the accumulative issuance of asset-backed securities products was RMB8,472.0 million, and RMB400 million of credit bonds have been issued, and financing channels have further diversified.

In the indirect financing market, the first domestic syndicated loan of our group was successfully landed, achieving a financing of RMB810 million, successfully enriching the cooperation channels and financing varieties of foreign banks. Cooperate with Bank of Communications to carry out fast and easy payment business, expand financing varieties, and further reduce financing costs. By the end of 2023, 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, 2023, the outstanding balance of bank loans was RMB4,751.7 million, accounting for 64.1% of the total borrowings, which was slightly higher as compared to December 31, 2022. The balance of asset-backed securities accounted for 30.5% 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, 2023** | | As of December 31, 2022 | | **Changes** |
|---|---|---|---|---|---|
| | ***RMB'000*** | ***% of total*** | *RMB'000* | *% of total* | |
| **Bank loans** | **4,751,665** | **64.1%** | 2,797,438 | 43.8% | 69.9% |
| – collateralized | **2,223,561** | **30.0%** | 1,628,795 | 25.5% | 36.5% |
| – pledged | **2,528,104** | **34.1%** | 1,168,643 | 18.3% | 116.3% |
| **Borrowings from related parties**[1] | | | | | |
| – pledged | **–** | **0.0%** | 1,000,000 | 15.6% | (100.0%) |
| **Asset-backed securities** | **2,261,175** | **30.5%** | 2,597,797 | 40.6% | (13.0%) |
| **Short-term commercial papers** | **399,808** | **5.4%** | – | – | – |
| **Total borrowings** | **7,412,648** | **100.0%** | 6,395,235 | 100.0% | 15.9% |

*Note:*

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

As of December 31, 2023, the current proportion of borrowings (including short-term borrowings and portions that are due within one year in long-term borrowings) accounted for 85.0% of total borrowings, representing an increase of 62.0% as compared to December 31, 2022. 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, 2023 | | As of December 31, 2022 | | Changes |
|---|---|---|---|---|---|
| | *RMB'000* | *% of total* | *RMB'000* | *% of total* | |
| Current | **6,302,429** | **85.0%** | 3,890,411 | 60.8% | 62.0% |
| Non-current | **1,110,219** | **15.0%** | 2,504,824 | 39.2% | (55.7%) |
| **Total borrowings** | **7,412,648** | **100.0%** | 6,395,235 | 100.0% | 15.9% |

### 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 13.4% from RMB2,281.1 million as at the end of last year to RMB2,587.8 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, 2023, total equity attributable to equity shareholders of the Group was RMB2,400.2 million, representing an increase of RMB179.8 million or 8.0% 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, 2023 | | As of December 31, 2022 | | Changes |
|---|---|---|---|---|---|
| | *RMB'000* | *% of total* | *RMB'000* | *% of total* | |
| Share capital | **1,333,334** | **55.6%** | 1,333,334 | 60.0% | 0.0% |
| Reserves | **1,066,904** | **44.4%** | 887,086 | 40.0% | 20.3% |
| **Total equity** | **2,400,238** | **100.0%** | 2,220,420 | 100.0% | 8.1% |

## 4. CAPITAL EXPENDITURES

In 2023, the capital expenditure of the Group was RMB93.9 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 science and technology innovation enterprises with continued efforts, the Group achieved its maximum value.

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

### 5.1 Credit Risks

Credit risks arise from our customers' failure to perform their payment obligations under the lease agreements or material and adverse changes in their creditworthiness. Credit risks are one of the major risks we are exposed to and may negatively impact our revenues, cash flow, and book value of leased 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. In addition, this year we have creatively established a credit evaluation model for technology small and micro enterprises, evaluating them from four dimensions: historical credit, capital market attention, management team situation, and business operation, in order to deeply explore small and micro customers with great development potential.

**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, dual carbon, biological and medicine, intelligent manufacturing and new consumption, 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, 2023** | As of December 31, 2022 |
| | ***RMB'000*** | *RMB'000* |
| **Changes in basis points** | | |
| +100 basis points | **7,409** | 11,661 |
| –100 basis points | **(7,409)** | (11,661) |

### 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 2023, 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, 2023** | | | | | | | |
| Total financial assets | **1,252,614** | **456,215** | **1,444,457** | **4,903,656** | **5,105,747** | **–** | **13,162,689** |
| Total financial liabilities | **138** | **654,918** | **1,009,322** | **6,052,405** | **2,062,079** | **479** | **9,779,341** |
| Net liquidity gap | **1,252,476** | **(198,703)** | **435,135** | **(1,148,749)** | **3,043,668** | **(479)** | **3,383,348** |
| **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 |

### 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, 2023, the Group held loans and receivables of RMB5,414.8 million pledged to secure borrowings, and cash of RMB46.1 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, 2023** | As of December 31, 2022 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **Pledged finance lease receivables** | | |
| For factorings and loan borrowings | **2,918,053** | 3,219,893 |
| For asset-backed securities | **2,450,677** | 2,631,739 |
| **Restricted bank deposits** | **46,117** | 53,754 |
| **Total pledged assets** | **5,414,847** | 5,905,386 |

## 7. MATERIAL INVESTMENTS, ACQUISITIONS AND DISPOSALS

The Group has made an additional equity investment of RMB60.0 million in the joint venture, Beijing Zhongnuo Yuanjian Innovation Investment Fund (Limited Partnership), during the year ended December 31, 2023.

Save as disclosed in this announcement, there were no significant investments, material acquisitions or disposals of subsidiaries, associated companies and joint ventures by the Group for the year ended December 31, 2023.

## 8. HUMAN RESOURCES

### 8.1 Staff and Remuneration

As of December 31, 2023, the Group had a total of 141 employees (As of December 31, 2022: 132), with approximately 100.0% of our staff holding bachelor's degrees or above, and approximately 66.0% holding master's degrees or above (48 employees obtained bachelor's degrees, 93 employees obtained master's degrees). Approximately 12.06% (17 employees) have intermediate professional titles or above; and approximately 5% (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 48.94% of our employees (69 employees) have been worked for the Group for over five years. We did not experience any material labor disputes as of December 31, 2023.

For the year ended December 31, 2023, the staff costs of the Group amounted to approximately RMB94.9 million (2022: approximately RMB87.6 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, 2023, 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, 2023, 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, 2023** | As of December 31, 2022 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Credit commitments [(1)] | **62,240** | 100,000 |
| Capital commitments | **62,340** | 124,440 |

*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, 2023, the contracted capital commitments included the unpaid capital commitment to Beijing Zhongnuo Tongchuang Investment Fund Management Co., Ltd. of RMB2.3 million and Beijing Zhongnuo Yuanjian Innovation Investment Fund (Limited Partnership) of RMB60.0 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.

As disclosed in the announcement of the Company dated October 20, 2023 (the "**Announcement**") and the circular of the Company dated November 10, 2023 (the "**Circular**"), having carefully considered the investment capital requirement for improvement of information systems was less than those of initially expected, for the purpose of enhancing the utilization efficiency of the net proceeds from the global offering, the Board resolved to reallocate the unused net proceeds initially allocated for improvement of information systems, in the amount of approximately RMB12.7 million, to the expansion of business operations of the Company in order to extend the customer base and boost the turnover. Please refer to the Announcement and Circular for details.

The net proceeds from the global offering have been and will be used in accordance with the purposes set out in the prospectus of the Company dated December 31, 2019 (the "**Prospectus**") and disclosed in the Announcement and Circular.

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)* | **Utilised immediately before the Reallocation** *(RMB in million)* | **Unutilised immediately before the Reallocation** *(RMB in million)* | **Planned use of net proceeds after Reallocation** *(RMB in million)* | **Amount utilised after Reallocation up to 31 December 2023** *(RMB in million)* | **Unutilised (as at 31 December 2023)** *(RMB in million)* | **Expected time of use** |
|---|---|---|---|---|---|---|---|
| Expand our business operations | 284.0 | 284.0 | 0 | 12.7 | 0 | 12.7 | To be gradually utilized until June 30, 2024 |
| Improve our information systems | 40.6 | 27.9 | 12.7 | – | – | – | – |
| Recruit talents | 40.6 | 40.6 | 0 | – | – | – | – |
| Replenish working capital | 40.6 | 40.6 | 0 | – | – | – | – |

## 11. BUSINESS OUTLOOK

During the "14th Five Year Plan" period, the Group will promote the innovation of business models, further deepen the industry, take the integration of industry and finance, regional expansion as the starting point, support standardized construction and digital operation, and drive organizational change to promote the deep integration of technology and finance, achieve the transformation and upgrading of business structure, continuously improve the internal value of the company, bring satisfactory returns to investors, and create greater value for society.

# OTHER INFORMATION

## 1. CORPORATE GOVERNANCE PRACTICES

The Company has adopted the Corporate Governance Code (the "**CG Code**") as contained in Appendix C1 to the Listing Rules as its own code of corporate governance. The Company has committed to maintaining high standards of corporate governance in order to safeguard the interests of the Shareholders and enhance the corporate value and accountability of the Company.

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

## 2. DIRECTORS' AND SUPERVISORS' SECURITIES TRANSACTIONS

The Company has formulated the Code of Dealing in Securities of the Company by Directors, Supervisors, Senior Management and Personnel with Inside Information (《董事、監事、高級管理人員及其他內幕信息知情人員證券交易管理制度》) as the code of conduct of the securities transactions carried out by our Directors, Supervisors, senior management and personnel with inside information. The terms of which are not less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix C3 to the Listing Rules.

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

## 3. ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the Company (the "**AGM**") will be held on Friday, May 10, 2024, a notice of which will be published and despatched to the shareholders of the Company (the "**Shareholders**") in due course.

## 4. FINAL DIVIDEND

The Board has recommended the payment of a final dividend of RMB0.068 per share (tax inclusive) for the year ended December 31, 2023, totally approximately RMB90.67 million, to the Shareholders whose names appear on the register of members of the Company on Friday, May 24, 2024. 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 Friday, July 12, 2024, subject to the Shareholders' approval at the forthcoming annual general meeting.

**Taxation**

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

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

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

## 5. CLOSURES OF REGISTER OF MEMBERS

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

For determining the entitlement to attend and vote at the forthcoming annual general meeting, the register of members of the Company will be closed from Monday, May 6, 2024 to Friday, May 10, 2024, both dates inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the forthcoming annual general meeting, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's headquarters and principal place of business in China at Floor 6, Suite 7, Courtyard 2, No. 1 West Third Ring North Road, Haidian District, Beijing, the PRC (for holders of domestic shares) or the Company's H share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for holders of H shares) not later than 4:30 p.m. on Friday, May 3, 2024, for registration.

For determining the entitlement to the proposed final dividend, subject to approval by the Shareholders at the forthcoming annual general meeting, the register of members of the Company will be closed from Monday, May 20, 2024 to Friday, May 24, 2024, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's headquarters and principal place of business in China at Floor 6, Suite 7, Courtyard 2, No. 1 West Third Ring North Road, Haidian District, Beijing, the PRC (for holders of domestic shares) or the Company's H share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for holders of H shares) not later than 4:30 p.m. on Friday, May 17, 2024, for registration.

## 6. AUDIT COMMITTEE

The Company has established the audit committee of the Company (the "**Audit Committee**") in accordance with Rule 3.21 and the CG Code, with terms of reference in writing. The Audit Committee consists of five members, being Mr. CHENG Dongyue, Mr. WU Tak Lung and Ms. LIN Zhen, independent non-executive Directors, Ms. WANG Sujuan and Mr. ZHANG Chunlei, 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. ZHANG Chunlei has been elected as a non-executive Director of the second session of the Board and a member of the Audit Committee of the Board on December 22, 2023, and his term of office shall be effective from the date of approval of the Beijing Municipal Bureau of Local Financial Regulation and Supervision.

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

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

**7. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD**

There were no significant events after the year ended December 31, 2023 and up to the date of this announcement.

**8. MATERIAL LEGAL, LITIGATION AND ARBITRATION MATTERS**

As at the end of the Reporting Period, there was no outstanding litigation or arbitration which was significant to the operation of the Company.

**9. PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

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

**10. PUBLICATION OF ANNUAL REPORT**

This announcement was published on the website of Stock Exchange (www.hkexnews.hk) and on the website of the Company (www.zgclease.com). The 2023 annual report of the Company will be despatched to the Shareholders and published on the websites of Stock Exchange and the Company in due course.

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

By order of the Board
**Zhongguancun Science-Tech Leasing Co., Ltd.**
**ZHANG Shuqing**
*Chairman*

Beijing, the PRC, March 15, 2024

*As at the date of this announcement, the Board comprises Mr. HE Rongfeng and Mr. HUANG Wen as executive Directors, Mr. ZHANG Shuqing and Ms. WANG Sujuan as non-executive Directors, and Mr. CHENG Dongyue, Mr. WU Tak Lung and Ms. LIN Zhen as independent non-executive Directors.*