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

2023 ANNUAL REPORT

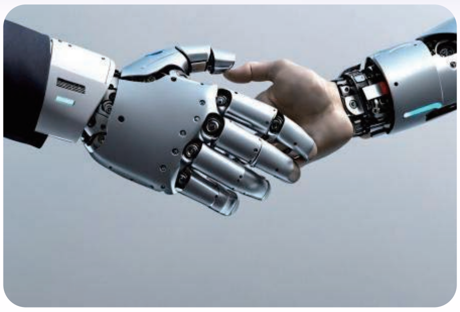
Contents

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

Business Layout

Intelligent manufacturing

- Commercial aerospace
- Intelligent driving
- Robots
- High end equipment
- New energy vehicles



Tianxin Kongtian
Rostar
horengroup
Sichuan Shunying

New consumption

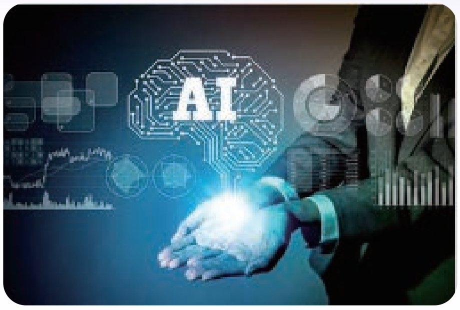
- Intelligent warehousing
- Cold chain logistics
- High end dairy industry
- Intelligent kitchen equipment

Qishi Ruye
Edianyun
IJovo
Lovere
Da Bei Nong

Business Layout

Artificial intelligence

- Photoresist
- 5G communication
- Autonomous driving
- IT equipment cloud services



Wanjiatong
Eacon
Robot + +
Excelland Technology
Trunk.tech

Medical health

- Biopharmaceuticals
- Medical devices
- Medical services
- the combination of medicine and engineering

RECBIO
Kuanteng Medical
Charmlion
Wellem

Dual carbon

- Clean energy
- Circular economy
- Energy storage
- Solid and hazardous waste treatment

Liang Shengwuzhi
Herong Reli
Low Carbon
Environment
Jingyu Environment
Sweeper

Employee Spirit

Employee Spirit

Corporate Profile

Zhongguancun Science-Tech Leasing Co., Ltd. (Stock Code: 1601.HK), established in Beijing in November 2012, is a listed platform under the ZGC Group. The Company is a pioneer in serving science and technology innovation enterprises in PRC, and is dedicated to "discovering and cultivating unicorn companies to help science and technology entrepreneurs achieve their dreams". We focus on providing finance lease, investment and industry and finance integration solutions for the domestic science and technology innovation enterprises of high growth. We have pioneered the "Zhongguancun Science-Tech Leasing Development Model".

We leveraged both technological innovation and product innovation as dual drivers, establishing a distinctive competitive edge. Drawing upon profound insights into the fields of artificial intelligence, carbon peak and carbon neutrality, healthcare and medical services, intelligent manufacturing and consumer upgrading, and with our "credit and value discovery" core technology, we innovatively developed a credit evaluation system based on customer growth factors and continuously upgraded it. This system enables us to identify and recognize early-stage high-growth science and technology innovation enterprises, accurately measure their credit risks and company value, and assist them in building their first corporate credit record from scratch to obtain long-term financing capabilities.

In addressing the underserved financial service needs of science and technology innovation enterprises, we innovated in intellectual property leasing, technology micro-products, and industry and finance integration solutions. These innovations empower science and technology innovation enterprises at all stages of their growth, allowing us to share in their growth benefits. We have successfully transcended the profit limitations of traditional financial institutions and established a new paradigm of deep integration between finance and the real economy, achieving scalability, enhanced quality, improved efficiency, and ultimately better support for the development of the real economy.

Reflecting on our journey of progress, as of December 31, 2023, we have extended financing services to nearly 2,200 science and technology innovation enterprises, with an aggregate financing capital surpassing RMB45 billion, of which over 50 customers have successfully gone public.

Looking forward to the new path ahead, we remain committed to furthering the industry and finance integration. We aim to facilitate the in-depth integration of financial services into various industrial scenarios and contexts, and foster the high-quality development of the real economy.

Corporate Information

BOARD OF DIRECTORS

Non-executive Directors
Mr. ZHANG Shuqing *(Chairman)*
Ms. WANG Sujuan

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

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

BOARD OF SUPERVISORS

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

COMPANY SECRETARY

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

AUTHORISED REPRESENTATIVES UNDER THE LISTING RULES

Mr. HE Rongfeng
Mr. HUANG Wen

AUDIT COMMITTEE

Mr. WU Tak Lung *(Chairman)*
Mr. CHENG Dongyue
Ms. LIN Zhen
Ms. WANG Sujuan

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

RISK CONTROL COMMITTEE

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE

Mr. ZHANG Shuqing *(Chairwoman)*
Mr. WU Tak Lung
Mr. HUANG Wen

REGISTERED OFFICE

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

Corporate Information

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN CHINA

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL BANKS

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

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

China Citic Bank
12th Floor, Block C, Fuhua Building,
No.8 Chaoyangmen North Street
Dongcheng District, Beijing
PRC

AUDITOR

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

LEGAL ADVISOR

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

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

H SHARE REGISTRAR

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

STOCK CODE

1601

WEBSITE

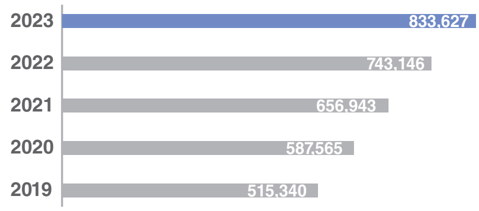
www.zgclease.com

Key Financials

For the year ended December 31, 2023

Total revenue
(RMB'000)

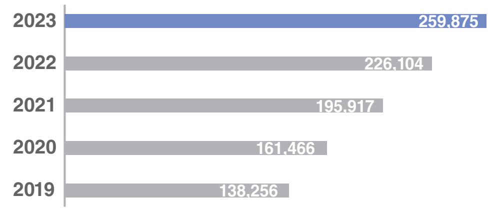
833,627



For the year ended December 31

Net profit
(RMB'000)

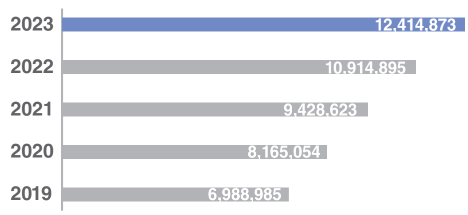
259,875



For the year ended December 31

Total assets
(RMB'000)

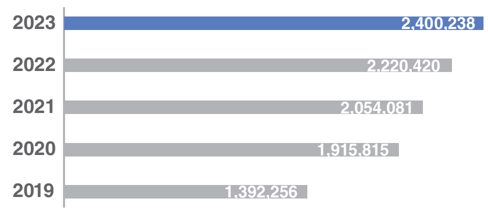
12,414,873



For the year ended December 31

Total equity
(RMB'000)

2,400,238



For the year ended December 31

Liability to asset ratio For the year ended December 31	
2022	2023
79.7%	**80.7%**

Net assets per share (RMB) For the year ended December 31	
2022	2023
1.67	**1.80**

Basic and diluted Earnings per Share (RMB) For the year ended December 31	Return on average equity For the year ended December 31	Return on average assets For the year ended December 31
0.19	**11.2%**	**2.2%**
Net profit margin For the year ended December 31	**Net interest margin** For the year ended December 31	**Net interest spread** For the year ended December 31
31.2%	**3.9%**	**2.9%**

Chairman's Statement

Dear Shareholders,

Dragons soar over China in pursuit of dreams. As we enter into the Year of the Dragon, I would like to, on behalf of the Board of Directors and management team of Zhongguancun Science-Tech Leasing Co., Ltd., extend our sincerest greetings and heartfelt wishes to all our employees and their families, as well as to friends from all sectors of society who have long cared for and supported the development of the Company.

2023 was the year to fully implement the spirit of the 20th National Congress of the Communist Party, a year of economic recovery and development following the transition in COVID-19 pandemic control over three years, and a crucial year for the Company to carry forward and implement the 14th Five-Year Plan. Faced with the complexity and variability of the external environment, we closely followed the new requirements for building Beijing into an international science and technology innovation center and achieving high-quality economic development. We faced challenges head-on, advanced against the trend, seized opportunities to act in accordance with the situation, and achieved a pre-tax profit growth of about 15.0% year-on-year and an increase in return on equity of about 0.6 percentage points year-on-year, amidst tighter industry regulation and fierce competition. Operational efficiency continued to improve, organizational transformation achieved significant results, business innovation was successfully implemented, brand influence significantly increased, team cohesion and unity were further strengthened, and the capacity for sustainable development continuously enhanced.

This year, we strengthened strategic leadership. Based on a thorough assessment of internal and external situations and an analysis of capital market trends, we clarified the strategic direction from "finance" to "industry" and optimized the Company's strategic system, represented by a "1+2+3" framework. "1" refers to our core capability in credit and value discovery, "2" signifies the dual growth in expanding customer scale and enhancing customer value, and "3" encompasses our three main businesses: leasing, investment, and services. Guided by this new strategic framework, we innovated and developed technology micro-products and industry & finance integration business, enhanced traffic inflow, delved into industry transformation, and further empowered business development. Among them, the industry & finance integration business shifted from zero to breakthrough in the operational leasing model.

Chairman's Statement

This year, our performance continued to soar. The Company achieved a financial lease principle amount of RMB8.593 billion for the whole year, attracted 292 new customers, and saw strong growth momentum in the Shenzhen, Hangzhou, and Suzhou regional companies. The Company's operating revenue, total profit, and return on net assets maintained continuous growth. The innovation of the industry & finance integration model got off to a good start, technology-driven small-scale products consolidated competitive advantages, the integrated leasing and investment model showed great potential, and cost reduction and efficiency enhancement measures improved organizational efficiency, laying a solid foundation for the Company's next step towards high-quality development.

This year, we expanded our brand influence. The Company was awarded the right to host the national competition Maker in China for three consecutive years; in 2023, the Company successfully hosted the SME Innovation and Entrepreneurship Contest for Intelligent Equipment, achieving the goals of integrating channels, expanding clientele in bulk, and identifying and converting excellent projects; through planning special reports and strengthening daily publicity, we continued to shape and convey the brand image of "Financial Partner for Science and Technology Innovation Enterprises". In 2023, the Company won important industry awards such as the "West Lake Forum Cup" Outstanding Leasing Enterprise Award, Forbes China's Financial Leasing Innovation Potential Institution Award, and others.

This year, we solidified our risk control foundation. Through continuously optimizing the rating and risk management systems, actively implementing organizational reforms, deploying review teams to base levels, deepening asset management capabilities, promoting standardized digital work, improving the efficiency of leased property management and post-lease risk monitoring levels, and carrying out strategic management and investment management training systems to enhance organizational and individual capabilities, our organizational efficiency continued to improve, and the non-performing asset ratio was controlled at 1.7%, maintaining stable asset quality.

Looking back on the past, we have experienced an extraordinary eleven years. From the initial start-up to becoming a leader in financial leasing services for science and technology innovation enterprises, we have always adhered to our original aspiration and committed to providing strong financial support for science and technology innovation.

Chairman's Statement

2024 marks the 75th anniversary of the founding of New China, a crucial year for the in-depth implementation of the 14th Five-Year Plan and a year of breakthrough for the Company in seeking high-quality development, amidst various foreseeable and unforeseeable difficulties and challenges. However, crises breed opportunities. The Central Financial Work Conference held at the end of last year explicitly proposed for the first time to accelerate the building of a strong financial nation and strengthen the service attributes of finance to the real economy. This major decision and deployment created important opportunities for the Company to achieve strategic optimization and validated the foresight and correctness of the Company's strategic direction of "deep integration from finance into industry". The opportunity is not to be missed, and action is imperative. We continue to take on greater responsibilities and missions, navigate through the uncertainty, uphold integrity and innovation, and explore the innovative development path of technology leasing.

A new journey has begun, and we will uphold the vision of becoming a value cultivator and financial partner for China's science and technology innovation industry, with more spirited determination, more pragmatic style, and more professional spirit, to create greater value for our shareholders, customers, and all sectors of society! Let us join hands and write a more brilliant future together!

Chairman of the Board

ZHANG Shuqing
March 15, 2024

General Manager's Statement

Dear Shareholders,

2023 marks the beginning of the Company's "second decade", a particularly significant year in our development journey. In 2023, influenced by factors such as the slowdown in economic recovery and tighter industry regulations, the overall scale of financial leasing declined, and internal differentiation within the industry intensified. Faced with changes in economic and financial situations and increasingly fierce market competition, with the strong support of shareholders and directors, the management team of the Company, along with all employees, adhered to the work principle of reform and innovation, stability with progress, actively and calmly responded to various risks and challenges, fortified our competitive edge externally, enhanced operational management efficiency internally, and successfully achieved the main objectives and tasks for the year, continuing the trend of sustained growth.

We actively seek innovation, while maintaining steady growth in business performance and elevating our core capabilities, we focus on transformation and further upgrade our "leasing+investment+service" business model. In 2023, focusing on the characteristics of equipment manufacturing, heavy asset services, and the AI+ hardware industries, the Company has innovatively launched a "industry and finance integration" product, actively cultivating a new engine for high-quality development of the company, in order to achieve diversified income and profits, better asset quality, high growth of business scale, and improved profitability. The three sectors of leasing, investment, and service fully leverage their respective advantages, empower each other, and form an enhancement loop, with promising future returns.

In 2023, the Company achieved new financial leasing business amounted to RMB8.593 billion, a 15.8% increase year-on-year. Three regional affiliated companies of the Company in Shenzhen, Hangzhou, and Suzhou identified breakthrough points for business development, demonstrating rapid development momentum. The decision-making within regional companies was scientific and efficient, with continuous improvement in team efficiency. Employees' recognition to the corporate culture and sense of accomplishment continued to rise. A standardized and replicable model for regional expansion was successfully established, accumulating valuable experience for establishing new regional companies in the future.

In 2023, the Company's fund Beijing Zhongnuo's delivery amount increased by 103% year-on-year. Two investment projects successfully completed IPOs on the Hong Kong Stock Exchange and the Shenzhen Stock Exchange, achieving a dual breakthrough in both the Hong Kong and A share market for the fund. This success validated the unique value of our "leasing + investment + services" business model, where leasing, investment, and services empower each other, forming a reinforcing loop. Through synergistic design and simultaneous implementation of the "equity + debt" scheme, we laid a solid foundation for the Company to invest in the upstream and downstream of the industrial chain and obtain stable and quantifiable returns.

General Manager's Statement

We continue to strengthen comprehensive risk management and build a competitive advantage. In 2023, the Company adheres to the risk control concept of "growth equals safety", further optimizes rating models and risk pricing management, strengthens concentration management, establishes an ESG risk management system, and further improves the Company's risk management level. The non-performing asset ratio is 1.7%, the provision coverage rate is 184.6%, and the overall risk is controllable.

We continuously innovate financing tools, and financing costs have steadily decreased. In 2023, the Company optimized financing system, expanded diverse and stable financing channels, and achieved a total financing of RMB9.485 billion throughout the year. Successfully issued the Company's first credit bond, promoted the scale financing of domestic and foreign bank syndicated loans, issued ABS, ABN and other products, achieved cooperation in the fast and easy payment business of Bank of Communications, and strongly supported business development. Our group has received an AA+subject credit rating from Dongfang Jincheng International Credit Rating Co., Ltd. ("**Dongfang Jincheng**"), and the subject credit rating has been improved.

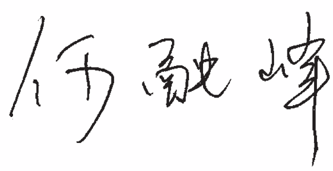
We strengthen internal management and improve organizational efficiency. In 2023, the Company implemented organizational transformation measures to optimize the organizational structure, forming a business formation of "small-scale business teams + review teams deployed to base levels" & "large business units + small business units + regional teams, review front-end + review middle-end". We optimized operational processes, rationalized resource allocation, and significantly improved organizational efficiency. Meanwhile, we continued to promote standardization and digitization, enhanced operational efficiency and management levels, completed the integration transformation and link upgrades of core business systems, development, and optimization of projects such as digital due diligence, intelligent legal and signing systems, contract center systems, risk management, and customer center systems. This elevated the Company's precision and standardized management levels.

In 2023, the changes in the external environment have tested our macro thinking and long-term perspective, allowing us to rethink amidst the changes and return to the essence along the development trajectory of finance, exploring new paths to support science and technology innovation.

General Manager's Statement

In 2024, the Company will prioritize high-quality development, seeking stability while making progress, and adhering to the values of "innovation and expertise, with health, love and dream". We are committed to the mission of "discovering and cultivating unicorn companies to help science and technology entrepreneurs achieve their dreams". We mobilized industry & finance integration and technology micro-products, supported by standardization and digital operations, to fully advance the strategic transformation of the Company. Our goals are to expand scale, optimize quality, enhance benefits, and strengthen specialization, to reach both upstream and downstream of the technology industry, achieving in-depth integration of finance and technology industries!

General Manager



HE Rongfeng
March 15, 2024

Management Discussion and Analysis

	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.

Management Discussion and Analysis

	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.

Management Discussion and Analysis

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.

Management Discussion and Analysis

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.

Management Discussion and Analysis

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.

Management Discussion and Analysis

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.

Management Discussion and Analysis

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] RMB'000	Interest income RMB'000	Average yield of interest-earning assets[2] %	Average balance of interest-earning assets RMB'000	Interest income RMB'000	Average yield of interest-earning assets %
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	15.8%	(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	2.9%	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.

Management Discussion and Analysis

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	**16,103**	**9.4%**	19,589	13.0%	(17.8%)
Professional service expense	**5,985**	**3.5%**	7,378	4.9%	(18.9%)
Others	**17,981**	**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%**	2,543,390	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%**	190,836	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.

Management Discussion and Analysis

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%		6.3%

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	**64,008**	**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	**196,535**	**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	196,535		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 ECL balance	Not 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 RMB'000	As of December 31, 2022 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 report, there were no significant investments, material acquisitions or disposals of subsidiaries, associated companies and joint ventures by the Group for the year ended December 31, 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 RMB'000	As of December 31, 2022 RMB'000
Credit commitments[(1)]	**62,240**	100,000
Capital commitments[(2)]	**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.

Profile of Directors, Supervisors and Senior Management

DIRECTORS

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

Name	Age	Position	Date of First Appointment as Director
Non-executive Directors			
Mr. ZHANG Shuqing	50	Chairman and non-executive Director	August 13, 2019
Ms. WANG Sujuan	40	Non-executive Director	June 6, 2023
Mr. ZHANG Chunlei	53	Non-executive Director	December 22, 2023, and his term of office shall be effective from the date of approval of his director's qualification of the Beijing Municipal Bureau of Local Financial Regulation and Supervision
Executive Directors			
Mr. HE Rongfeng	56	Executive Director and general manager	August 13, 2019
Mr. HUANG Wen	49	Executive Director, deputy general manager, board secretary and head of finance team	August 13, 2019
Independent Non-executive Directors			
Mr. CHENG Dongyue	64	Independent non-executive Director	September 20, 2019
Mr. WU Tak Lung	58	Independent non-executive Director	August 29, 2019
Ms. LIN Zhen	40	Independent non-executive Director	August 29, 2019

Profile of Directors, Supervisors and Senior Management

Non-executive Directors

Mr. ZHANG Shuqing (張書清), aged 50, is the chairman of the Board and non-executive Director. Since April 2020, Mr. Zhang has successively served as the executive vice general manager and general manager of ZGC Finance. Mr. Zhang has served in several positions at ZGC Group, since April 2012. Mr. Zhang served as the vice general manager (presiding) and executive vice manager of the technology finance department of ZGC Group from June 2018 to December 2021, primarily responsible for overall management of the department. Prior to that, Mr. Zhang served as the manager of the innovation service division under the technology finance department of ZGC Group from July 2014 to June 2018, and served as the director of the financial services department of ZGC Group from April 2012 to July 2014. Mr. Zhang has also served as a director of several of ZGC Group's subsidiaries, including Beijing Zhongguancun Technology Financing Guarantee Co., Ltd. (北京中關村科技融資擔保有限公司) since May 2014, Zhongguancun VC Development Center (北京中關村創業投資發展有限公司) since February 2016 and he has been serving as chairman of the board and general manager of Beijing Qiyuan Capital Market Development Service Co., Ltd. (北京啟元資本市場發展服務有限公司) since June 2018, primarily responsible for overall operation and management of the company.

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

Ms. WANG Sujuan (王素娟), aged 40, the non-executive Director. Ms. Wang has successively served as vice general manager and general manager of strategic investment department of ZGC Finance since January 2021. From August 2018 to December 2020, she served as senior professional manager of technology finance department of ZGC Group. From July 2016 to August 2018, Ms. Wang was in charge of technology finance department at ZGC Group postdoctoral workstation (中關村發展集團博士後工作站). From August 2008 to August 2012, she successively worked as teller, financial advisor, business handler, corporate account manager and consumer credit account manager of Beijing Branch of China Construction Bank. Ms. Wang has also served as a director of several subsidiaries and associated companies of ZGC Group, including as the chairman of Shenzhen Deyuan Commercial Factoring Co., Ltd. (深圳德遠商業保理有限公司) since September 2022 and as a director of Beijing Linkchuang Precision Medical Health Industry Investment Co., Ltd. (北京領創精准醫療健康產業投資有限公司) since March 2019.

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

Profile of Directors, Supervisors and Senior Management

Mr. ZHANG Chunlei (張春雷), aged 53, the non-executive Director. Mr. Zhang currently serves as the deputy secretary of the Party Committee, director, and general manager of Chaoyang International Technology Development Group Co., Ltd (朝陽國際科技發展集團有限公司) since February 2023. Mr. Zhang served as the deputy secretary, vice chairman, and general manager of the Party Committee of Beijing Chaoyang District Wangjing Xinxing Industry Zone Comprehensive Development Company (北京望京新興產業區綜合開發有限公司) from April 2021 to February 2023. From May 2020 to April 2021, he served as a member and deputy director of the Party Committee of the State-owned Assets Supervision and Administration Commission of Chaoyang District, Beijing (北京市朝陽區國有資產監督管理委員會). From March 2016 to May 2020, he served as the deputy director and member of the Party Group of the Management Committee of the Chaoyang Jinzhan Financial and Business District, Beijing (北京市朝陽金盞金融商務區管理委員會). From February 2014 to March 2016, he served as the deputy director of the Management Committee of Beijing Chaoyang Jinzhan Financial Service Park (北京朝陽金盞金融服務園區管理委員會). From July 2011 to February 2014, he served as the deputy secretary of the Gaobeidian Regional Working Committee (Township Party Committee) of the Communist Party of China in Chaoyang District (中共北京市朝陽區委高碑店地區工委(鄉黨委)). From May 2008 to July 2011, he served as the deputy director (Township Head) of the Gaobeidian Regional Office (Township) in Chaoyang District, Beijing (北京市朝陽區高碑店地區辦事處(鄉)). From April 1997 to May 2008, he served as a comprehensive management office staff member, comprehensive management office deputy director, comprehensive management office director, assistant director, and deputy director of the Comprehensive Management Office in Fatou Street Office, Chaoyang District, Beijing (北京市朝陽區垡頭街道辦事處).

Mr. Zhang received his Bachelor's degree in Chemical Machinery Equipment from Xi'an Jiaotong University in July 1992.

Profile of Directors, Supervisors and Senior Management

Executive Directors

Mr. HE Rongfeng (何融峰), aged 56, the executive Director and the general manager of the Company. Mr. He has around 18 years of experience in finance leasing and corporate management. He has been serving as a director of Beijing Zhongnuo Tongchuang Investment Fund Management Co., Ltd. (北京中諾同創投資基金管理有限公司) since April 2019, and as a director of Beijing Zhongguancun Synergetic Innovation Investment Fund Management Co., Ltd. (北京中關村協同創新投資基金管理有限公司) since July 2016. Prior to joining the Company, Mr. He served as the deputy general manager of China KangFu International Leasing Co., Ltd. (中國康富國際租賃股份有限公司), a company with the shares of which are quoted on National Equities Exchanges and Quotations with stock code of 833499, from March 2005 to January 2009. He then served as the general manager of China KangFu International Leasing Co., Ltd. From February 2009 to December 2012, responsible for the overall operation and management of the company.

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

Mr. HUANG Wen (黃聞), aged 49, the executive Director, deputy general manager, the board secretary and head of finance team of the Company. Mr. Huang joined the Company in April 2013 as the general manager assistant, and then has been serving as a deputy general manager of the Company since December 2014. Mr. Huang has around 14 years of experience in corporate management. Prior to joining the Company, Mr. Huang served as the general manager of Beijing region of Ping An Pratt & Whitney Finance Guarantee Co., Ltd. (平安普惠融資擔保有限公司, previously known as Fudeng Investment Credit Guarantee Co., Ltd. (富登投資信用擔保有限公司)) from August 2011 to January 2013. He served as a deputy general manager in Tianjin Bohai Finance Guarantee Co., Ltd. (天津渤海融資擔保有限公司) from June 2010 to July 2011. Mr. Huang served as the vice president of Zhongyuan Guoxin Credit Guaranty Co., Ltd. (中元國信信用擔保有限公司) from January 2009 to January 2010, prior to which he served as the deputy manager of its guarantee department from September 2004 to September 2006.

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

Profile of Directors, Supervisors and Senior Management

Independent Non-executive Directors

Mr. CHENG Dongyue (程東躍), aged 64, the independent non-executive Director. Mr. Cheng has extensive working experience in finance lease industry. He has been serving as the chairman of Finance Leasing Research Center of Zhejiang University (School of economics, Institute of Finance) (浙江大學(經濟學院、金融研究院)融資租賃研究中心) since March 2017. He served as the chairman of the board and general manager of Guangzhou Yuexiu Finance Leasing Co., Ltd. (廣州越秀融資租賃有限公司) from May 2012 to June 2015, primarily responsible for overall management of the company, and during the same period, he also served as a deputy general manager of Guangzhou Yuexiu Finance Holding Co., Ltd. (廣州越秀金融控股集團有限公司), primarily responsible for finance leasing business. He served as the general manager of Bank of Communications Finance Leasing Co., Ltd. (交銀金融租賃有限責任公司) from December 2007 to July 2010, primarily responsible for overall management of the company.

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

Mr. WU Tak Lung (吳德龍), aged 58, the independent non-executive director of the Company currently. Mr. Wu has served as an independent non-executive director of each of the following companies listed on the Stock Exchange: (1) Kam Hing International Holdings Limited (stock code: 2307), (2) Sinopharm Group Co., Ltd. (stock code: 1099), and (3) Henan Jinma Energy Company Limited (stock code: 6885).

Save as disclosed above, Mr. Wu was an independent non-executive director of (1) China Machinery Engineering Corporation, (2) Minth Group Co., Ltd. (stock code: 0425), and (3) Sinomax Group Limited (stock code: 1418), Certain members and former members of the board of Beijing Media Corporation Limited have been criticized, details of which in respect of Mr. Wu are set out in the Company's announcement dated 15 February 2022.

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

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

Ms. LIN Zhen (林禎), aged 40, the independent non-executive director of the Company currently. Ms. Lin has been a partner at the Shanghai office of Grandall Law Firm (國浩律師事務所) since June 2012, responsible for providing professional legal services mainly with respect to corporate and securities law. Prior to that, she successively served as a legal assistant and a lawyer at Grandall Law Firm since July 2005.

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

SUPERVISORS

The following table sets forth information regarding the Supervisors.

Name	Age	Position	Date of First Appointment as Supervisor
Mr. ZHANG Jian	53	Chairman of the board of Supervisors	August 13, 2019
Mr. TIAN Anping	45	Supervisor	August 13, 2019
Mr. FANG Fang	43	Supervisor	August 13, 2019
Mr. DU Xiaoming	45	Supervisor	June 6, 2023
Mr. TONG Chao	46	Supervisor	August 13, 2019
Mr. HUANG Zemiao	43	Supervisor	March 5, 2024, and his term of office shall be effective from the date of approval of his director's qualification of the Beijing Municipal Bureau of Local Financial Regulation and Supervision
Ms. HAN Nana	42	Supervisor	August 13, 2019

Profile of Directors, Supervisors and Senior Management

Mr. ZHANG Jian (張健), aged 53, chairman of the Board of Supervisors of the Company currently. Mr. Zhang has been the director of ZGC Group office since June 2021, prior to which he served as the vice director (presiding) and director of the capital operation department of ZGC Group from November 2012 to June 2021. Mr. Zhang has also served in several of ZGC Group's subsidiaries, including as the chairman of the Board of Directors of Zhongguancun Summit Enviro-protection Co., Ltd. (中關村至臻環保股份有限公司), a company with the shares of which are quoted on National Equities Exchanges and Quotations with stock code of 835461, since July 2020, as a director of Beijing Shichuang High-tech Development Co., Ltd. (北京實創高科技發展有限責任公司) since January 2018, as a director of Beijing Oriental International Culture Industry Fund Management Co., Ltd. (北京東方國際文化 業基金管理有限公司) from October 2017 to September 2019 and as a director of China Beijing Equity Exchange Group Co., Ltd. (北京產權交易所有限公司) from April 2017 to September 2019. Prior to joining ZGC Group, he served in several positions at Bozheng Capital Investment Co., Ltd. (博正資本投資有限公司) from March 2011 to August 2012, including the vice president and senior vice president (presiding) of the business department and vice general manager. From January 2005 to February 2011, he served as the vice general manager of the assets management department and the board secretary of Cernet Corporation (賽爾網絡有限公司).

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

Mr. TIAN Anping (田安平), aged 45, the shareholder representative supervisor of the Company currently. Mr. Tian has served as manager of the audit department of Beijing Chaoyang State Owned Capital Operation Management Company Limited (北京朝陽國有資本運營管理有限公司) since January 2022, primarily responsible for internal audit. From August 2011 to December 2021, he successively served in Beijing Chaoyang State Owned Capital Operation Management Company Limited as vice director of general matter office and principal of Communist Party of China ("CPC") related affairs, and the director of the Party-masses work department, primarily responsible for CPC-related affairs. From December 2017 to August 2019, Mr. Tian served as a director of the Company. From September 2001 to August 2011, he served in Beijing Jinchaoyang Commerce & Trade State-owned Asset Operation Company (北京金朝陽商貿國有資本運營公司), primarily responsible for corporate administrative management.

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

Mr. FANG Fang (方放), aged 43, the shareholder representative supervisor of the Company currently. Mr. Fang has been serving in several positions in Nanshan Capital since July 2016 and currently is a director and the general manager of Nanshan Capital, primarily responsible for overall operation and management. He served as a director of Zhuhai Hengqin Nanshan Kaiyuan Assets Management Co., Ltd. (珠海橫琴南山開源資 管理有限公司) from October 2017 to September 2020. Prior to joining Nanshan Capital, Mr. Fang served at Ministry of Foreign Affairs of the PRC from August 2004 to July 2016, primarily responsible for financial matters.

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

Mr. DU Xiaoming (杜曉明), aged 45. Mr. Du is currently the deputy chief accountant, the general manager of the finance and capital department (financial capital department) and the chief financial officer of Beijing branch of China Urban and Rural Holding Group Co., Ltd. (中國城鄉控股集團有限公司). Prior to this, Mr. Du worked in the First Engineering Company of First Highway Engineering Bureau (第一公路工程局第一工程公司), CCCC Road&Bridge North China Engineering Co., Ltd. (中交路橋華北工程有限公司) and CCCC Investment Co., Ltd. (中交投資有限公司) from August 2002 to October 2012. From October 2012 to April 2018, he served as general manager of finance department and director of sharing center of CCCC Infrastructure Maintenance Group Co., Ltd. (中交基礎設施養護集團有限公司). From May 2018 to August 2020, he served as the General Manager of the finance and capital department (financial management department) of China Urban and Rural Holding Group Co., Ltd. and the Chief Financial Officer of Beijing Branch. From September 2020 to August 2022, he served as the director, chief financial officer and senior vice president of Beijing OriginWater Technology Co., Ltd. (a company listed on Shenzhen Stock Exchange with stock code of 300070).

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

Mr. TONG Chao (佟超), aged 46, the employee representative supervisor of the Company currently. Since joining the Company in April 2013, Mr. Tong successively served as the general manager of the leasing department, risk management department, information technology department and innovation business department and he was promoted to serve as a chief expert of the Company in January 2018. Prior to joining the Company, Mr. Tong served as the general manager of the leasing department of Huayuan Leasing Co., Ltd. (華遠租賃有限公司) from October 2011 to April 2013. He served as a regional manager of the education sector of Far East International Leasing Co., Ltd. (遠東國際租賃有限公司) from October 2009 to April 2011, primarily responsible for finance leasing business in Inner Mongolia. He served at the Beijing branch of Citibank from September 2008 to July 2009, and successively served as a clerk and business manager at the Shenyang branch of China Merchants Bank from September 2000 to July 2006.

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

Mr. HUANG Zemiao (黃澤淼), aged 43, currently serves as the Deputy General Manager (in charge of work) of the Risk Management Department and Audit Department of the Company. From July 2007 to January 2010, Mr. Huang served as a clerk at the Financial & Economic Committee of the People's Congress of Huairou District, Beijing* (北京市懷柔區人大財經委). From January 2010 to December 2010, he served as the head of the Strategic Development Department and the Capital Planning Department of Shanzhong Financial Leasing Co., Ltd.* (山重融資租賃有限公司). From January 2011 to June 2014, he served as the Deputy Director of the Finance Office of Fengtai District, Beijing* (北京市豐臺區金融辦). During the period, from June 2014 to December 2015, he was temporarily appointed as the Deputy Director of the Beijing Municipal Bureau of Economy and Information Technology* (北京市經信委). From June 2014 to December 2015, he served as the Chief Clerk of the Research Office of the Fengtai District Committee and Government in Beijing* (北京市豐臺區區委區政府). Since December 2015, he has successively served as the Senior Strategic Manager of Strategic Development Department, Director of Risk Management Department, and Deputy General Manager of Risk Management Department and Audit Department (in charge of work) of the Company.

Mr. Huang graduated from Dongbei University (東北大學), obtained a bachelor's degree in economics in July 2005 and a master's degree in economics in July 2007.

Ms. HAN Nana (韓娜娜) (with former name HAN Lina (韓麗娜)), aged 42, the employee representative supervisor of the Company currently. Since joining the Company in March 2018, Ms. Han has been serving as a vice director of Party-masses work team of the Company. Prior to joining the Company, from August 2005 to March 2018, Ms. Han served in several positions in Aerospace Long March Launch Vehicle Technology Co., Ltd. (航天長征火箭技術有限公司), including an assistant and a deputy division chief (presiding) of the corporate culture division at the Party-masses work department.

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

SENIOR MANAGEMENT

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

Name	Age	Position	Time of joining the Company
Mr. DOU Jiyan	45	Deputy general manager	April 30, 2013
Ms. YANG Pengyan	47	Deputy general manager	April 30, 2013
Mr. LIU Shouquan	42	General manager assistant	November 1, 2013
Mr. LIANG Jingji	47	General manager assistant and head of risk management team	April 30, 2013
Mr. XU Junhua	60	Chief economist	June 1, 2021
Mr. GAO Wei	57	Company secretary	June 17, 2019

Mr. DOU Jiyan (竇繼岩), aged 45, deputy general manager of the Company and responsible for business management. Mr. Dou joined the Company in April 2013 and served as the director of the risk management team of the Company until December 2014. Then he served as a general manager assistant of the Company from December 2014. Mr. Dou was promoted and has been serving as a deputy general manager since October 2017. Mr. Dou has been serving as the chairman of Beijing Zhongnuo Tongchuang Investment Fund Management Co., Ltd. (北京中諾同創投資基金管理有限公司) since April 2019. Prior to joining the Company, Mr. Dou served as a senior manager of the marketing department of Doushan (China) Financial Leasing Co., Ltd. (鬥山(中國)融資租賃有限公司) from September 2007 to May 2013.

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

Profile of Directors, Supervisors and Senior Management

Ms. YANG Pengyan (楊鵬艷), aged 47, deputy general manager and responsible for business management. Ms. Yang joined the Company in April 2013 as a vice director of the business development department of the Company. In December 2014, she was promoted to serve as the director of strategy development team of the Company. Ms. Yang was further promoted to and she has been serving as a deputy general manager of the Company since September 2017. Prior to joining the Company, Ms. Yang served as the head of the planning and development department of ZGC Group from January 2012 to April 2013. From August 2010 to March 2011, she temporarily served as a president assistant in the insurance and non-banking service department of Beijing Financial Work Bureau (北京市金融局保險與非銀服務處) for training purpose. From March 2009 to May 2012, she was a postdoctoral fellow majoring in applied economics at Peking University (北京大學).

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

Mr. LIU Shouquan (劉守泉), aged 42, general manager assistant of the Company and responsible for business management. Mr. Liu joined the Company in November 2013 as a senior manager of the leasing team of the Company and served in that position until December 2014. From December 2014 to January 2018, he successively served as the vice director and the director of the leasing team, and he has been serving as the general manager assistant of the Company since January 2018. Prior to joining the Company, Mr. Liu served as the general manager assistant in Beijing Kaiyuan Finance Leasing Co., Ltd. (北京開元融資租賃有限公司) from April 2012 to October 2013. He served in Zhongdan Investment Credit Assurance Co., Ltd. (中擔投資信用擔保有限公司) from September 2009 to February 2012, primarily responsible for guarantee business. He served in Beijing Hyundai Motor Company (北京現代汽車有限公司) from August 2003 to July 2006.

Mr. Liu obtained a bachelor's degree in management from School of Network Education of Renmin University of China (中國人民大學網絡教育學院) in June 2007 through remote learning course. He obtained a Master's degree in business administration from China Europe International Business School (中歐國際工商學院) in November 2023.

Mr. LIANG Jingji (梁經基), aged 47, general manager assistant and head of risk management team of the Company and responsible for operation of project reviews, assets management team, risk management team and audit team of the Company. Mr. Liang served as the director of the assets management team of the Company since joining the Company in April 2013. He has also been serving as a chief expert and general manager assistant since January 2018 and January 2019, respectively. Prior to joining the Company, Mr. Liang served as the general counsel of China KangFu International Leasing Co., Ltd. (中國康富國際租賃有限公司), a company whose shares are quoted on National Equities Exchanges and Quotations (stock code: 833499), from September 2007 to April 2013, primarily responsible for legal affairs.

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

Mr. XU Junhua (許均華), aged 60, chief economist and senior economist and responsible for the operation of the strategy development team and the general office of the Company since joining the Company in June 2022. Mr. Xu has been working in banking, securities, trust and other financial work for a long time, and he also serves as an industry tutor of PBC School of Finance, Tsinghua University (清華大學五道口金融學院), School of Finance of Central University of Finance (中央財經大學金融學院) and Economics and Beijing National Accounting Institute (北京國家會計學院). Prior to joining the Company, Mr. Xu served as the vice president of China Overseas Holding Group from September 2018 to May 2022; the chief financial strategy expert of ZGC Group from August 2016 to August 2018; the chairman of Beijing Hongru Financial Education Foundation (北京鴻儒金融教育基金會) from May 2015 to October 2018; the president of National Modern Financial Holdings Co., Ltd. (全國現代金融控股有限公司) from August 2011 to May 2015; and the chief economist of ZhongCheng Trust Co., Ltd. (中誠信託有限責任公司) from August 1995 to August 2011. In August 1992, he participated in the establishment of China Southern Securities Co., Ltd. (南方證券股份有限公司) and successively served as the general manager and office director of research and consulting department, general manager of Nanjing Branch, general manager of investment banking business headquarters, director of Research Institute, president assistant and vice president. In June 1987, he joined the head office of Agricultural Bank of China (中國農業銀行) and successively served as a leader of the industrial credit department and a vice director level researcher of the research office.

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

Profile of Directors, Supervisors and Senior Management

Mr. GAO Wei (高偉), aged 57, is the company secretary of the Company. Mr. Gao has extensive experience in corporate financing and managing overseas-listed companies. He is now the chief representative of Beijing Representative Office of the Hong Kong Chartered Governance Institute (formerly known as the Hong Kong Institute of Chartered Secretaries). Mr. Gao now served as an independent director of Guolian Securities Co., Ltd. (國聯證券股份有限公司, a company listed on Stock Exchange and Shanghai Stock Exchange with stock code of 1456 and 601456) and an independent director of Best Mart 360 Holdings Limited (優品360控股有限公司, a company listed on Stock Exchange with stock code of 02360).

Mr. Gao first joined the Council of the Hong Kong Chartered Governance Institute in 2013 and served as the vice president from 2014 to 2020 and from 2022 to 2023. He served as one of the vice chairmen of the board secretary committee of China Association for Public Companies (中國上市公司協會) from November 2015 to November 2018. He served as a director of Sinotrans Air Transportation Development Co., Ltd. (中外運空運發展股份有限公司, a company previously listed on Shanghai Stock Exchange with the stock code of 600270) from November 2011 to June 2019 and the general manager of the company from January 2016 to June 2019, primarily responsible for overall operation and management, and he served as the legal representative of the company from January 2017 to August 2019. He served as the board secretary and company secretary of Sinotrans Limited (中國外運股份有限公司), a company listed on the Stock Exchange with the stock code of 0598) from January 2003 to December 2016, primarily responsible for secretarial work; he served as the general counsel of Sinotrans Limited from January 2010 to June 2019, primarily responsible for legal affairs. He served as the board secretary and head of finance team of the Company from June 2019 to February 2021, and he has been the company secretary of the Company since June 2019.

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

1. CORPORATE GOVERNANCE PRACTICE

The Company has adopted 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. CORPORATE CULTURE

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

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

3. THE BOARD

3.1 Duties and Division of Responsibility

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3.2 Chairman of the Board and General Manager

In accordance with code provision C.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The Company does not have the position of chief executive officer, the duties of whom are performed by the general manager of the Company. On November 16, 2022, Mr. ZHANG Shuqing was appointed as the chairman of the Board and his qualification as the chairman of the Board was approved by the Beijing Municipal Bureau of Local Financial Regulation and Supervision (北京市地方金融監督管理局) on March 30, 2023. During the Reporting Period, the general manager of the Company was Mr. HE Rongfeng, an executive Director.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3.3 Composition of the Board

As at the end of the Reporting Period, the Board consisted of seven Directors, including two executive Directors namely, Mr. HE Rongfeng (general manager) and Mr. HUANG Wen, two non-executive Directors namely, Mr. ZHANG Shuqing (the chairman of the Board) and Ms. WANG Sujuan, and three independent non-executive Directors namely, Mr. CHENG Dongyue, Mr. WU Tak Lung and Ms. LIN Zhen. The term of appointment of each of the Directors (including non-executive Directors and independent non-executive Directors) is three years commencing from the date when their respective appointments are approved by the Shareholders. Mr. DU Yunchao resigned from his position as non-executive Director and member of the Audit Committee on September 22, 2023. Mr. LOU Yixiang resigned from his position as non-executive Director on December 18, 2023.

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

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

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

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

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

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

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

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

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

3.4 Corporate Governance Functions

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

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

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

4. BOARD MEETINGS

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

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

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

A typical Board meeting would consist of:

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

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

	Attendance/Number of Meetings							
Name of Director	Board	Audit Committee	Remuneration Committee	Nomination Committee	Risk Control Committee	Environmental, Social and Governance Committee	Annual General Meeting	Extraordinary General Meeting
Mr. ZHANG Shuqing[1]	9/9	N/A	1/1	2/2	1/1	N/A	1/1	1/2
Mr. LOU Yixiang[2]	8/9	N/A	N/A	N/A	N/A	N/A	1/1	1/1
Ms.WANG Sujuan[3]	7/9	1/3	N/A	N/A	N/A	N/A	1/1	2/2
Mr.DU Yunchao[4]	7/9	3/3	N/A	N/A	N/A	N/A	1/1	1/1
Mr.ZHANG Chunlei[5]	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Mr. HE Rongfeng	9/9	N/A	1/1	2/2	N/A	N/A	1/1	2/2
Mr. HUANG Wen	9/9	N/A	N/A	N/A	1/1	N/A	1/1	2/2
Mr. CHENG Dongyue	9/9	3/3	1/1	2/2	1/1	N/A	1/1	2/2
Mr. WU Tak Lung	9/9	3/3	1/1	2/2	1/1	N/A	1/1	2/2
Ms. LIN Zhen	9/9	3/3	1/1	2/2	1/1	N/A	1/1	2/2

Note 1: Mr. ZHANG Shuqing was appointed as chairman of the Board and chairman of the Nomination Committee of the Board with effect from March 30, 2023.

Note 2: Mr. LOU Yixiang resigned from his positions as non-executive director with effect from December 18, 2023.

Note 3: On June 6, 2023, Ms. WANG Sujuan was appointed as non-executive director and a member of the Audit Committee of the Board.

Note 4: Mr. DU Yunchao resigned from his positions as non-executive director with effect from September 22, 2023.

Note 5: Mr. ZHANG Chunlei was appointed as non-executive director 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 his director's qualification of the Beijing Municipal Bureau of Local Financial Regulation and Supervision.

5. ELECTION OF DIRECTORS

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

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

6. CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

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

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

Directors	Reading relevant materials	Attending training on Hong Kong listed issuers' and directors' continuing duties and responsibilities/ Visiting/Interviewing key management personnel
Non-Executive Directors		
Mr. ZHANG Shuqing	✓	✓
Mr. LOU Yixiang[1]	✓	✓
Ms. WANG Sujuan[2]	✓	✓
Mr. DU Yunchao[3]	✓	✓
Executive Directors		
Mr. HE Rongfeng	✓	✓
Mr. HUANG Wen	✓	✓
Independent Non-Executive Directors		
Mr. CHENG Dongyue	✓	✓
Mr. WU Tak Lung	✓	✓
Ms. LIN Zhen	✓	✓

Note 1: resigned with effect from December 18, 2023

Note 2: appointed with effect from June 6, 2023

Note 3: resigned with effect from September 22, 2023

7. INSURANCE FOR DIRECTORS

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

8. BOARD COMMITTEES

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

8.1 Audit Committee

The Audit Committee consists of four members, being Mr. CHENG Dongyue, Mr. WU Tak Lung and Ms. LIN Zhen, independent non-executive Directors, Ms. WANG Sujuan, non-executive Director. 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 was appointed as non-executive director 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 his director's qualification 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 internal audit, and performing other duties and responsibilities as assigned by the Board.

During the Reporting Period, the Audit Committee has convened three meetings to review the report on annual audit and the letter of statement prepared by auditors, the annual results of the Group for the year ended December 31, 2022, the interim results of the Group for the six months ended June 30, 2023, the special internal audit reports of the Company, the significant issues on the financial reporting and compliance procedures of the Group, the corporate governance report and the Company's performance on following the corporate governance code. In addition, the Audit Committee has considered the re-appointment of external auditors of the Company and made recommendation to the Board.

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

8.2 Remuneration Committee

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

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

During the Reporting Period, the Remuneration Committee has convened one meeting to consider the revision of the working rules of the Remuneration Committee.

8.3 Nomination Committee

The Nomination Committee consists of five members, being Mr. ZHANG Shuqing, a non-executive Director, Mr. CHENG Dongyue, Mr. WU Tak Lung and Ms. LIN Zhen, independent non-executive Directors and Mr. HE Rongfeng, an executive Director.

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

During the Reporting Period, the Nomination Committee has convened two meetings to recommend the appointment of Mr. ZHANG Shuqing as the chairman of the second session of the Board, to consider the renewal of the Company's general manager, deputy general manager, and other management positions, and recommend Mr. ZHANG Chunlei to serve as a non-executive director of the second session of the Board, and to review the structure and composition of the Board and to make recommendation to the Board; examined the performance of the Board; reviewed the board diversity policy and evaluated the independence of independent non-executive Directors.

8.4 Risk Control Committee

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

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

During the Reporting Period, the Risk Control Committee has convened one meeting to review the Company's risk management and internal control for the financial year 2022 and review on the effectiveness of the internal audit functions as required under the Listing Rules.

8.5 Environmental, Social and Governance Committee

The Environmental, Social and Governance Committee consists of three members, being Mr. ZHANG Shuqing, a non-executive Director, Mr. HUANG Wen, an executive Director, and Mr. WU Tak Lung, independent non-executive Directors. The Risk Control Committee is chaired by Mr. ZHANG Shuqing.

The main function of the Environmental, Social and Governance Committee is to review and monitor the Company's environmental, social and governance policies and practices, in order to improve the company's governance structure and strengthen the decision-making function of the board of directors.

During the Reporting Period, the Environmental, Social and Governance Committee did not hold any meetings.

8.6 Director Nomination Policy

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

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

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

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

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

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

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

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

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

(I) the candidate's character and integrity;

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

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

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

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

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

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

8.7 Board Diversity Policy

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

In addition, as of December 31, 2023, the proportion of female members among all employees (including senior management) of the Company was 47.5%. The Company will take steps to maintain gender diversity among all employees (including senior management). The Company plans to provide comprehensive training for female employees who we believe have the appropriate experience, skills and knowledge in operations and business, including but not limited to business operations, management, accounting and finance, legal compliance, and research and development.

9. DIRECTORS' RESPONSIBILITIES FOR FINANCIAL STATEMENTS

During the Reporting Period, the Directors acknowledge their responsibilities for preparing the financial statements of the Group for the year ended December 31, 2023, which give a true and fair view in accordance with the Listing Rules, International Financial Reporting Standards issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the Directors are responsible for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

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

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

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

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

10. DIRECTORS' AND SUPERVISORS' SECURITIES TRANSACTIONS

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

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

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

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

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

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

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

12. COMPANY SECRETARY

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

13. RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

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

The Company has established Environmental, Social, and Governance Committee on June 16, 2023, responsible for identifying environmental, social, and governance risks and opportunities related to the Company, evaluating the impact of such risks or opportunities on the Group, and providing recommendations to the board of directors on the response to risks or opportunities, as well as fully implementing the Company's environmental, social, and governance activities.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

14. AUDITOR'S REMUNERATION

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

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

The Board and the Audit Committee are satisfied with the independence, objectivity and effectiveness of KPMG and the effectiveness of its audit procedures. Considering that KPMG have been providing audit services to the Company for at least five years since 2019, according to the relevant regulations of the Beijing State-owned Assets Supervision and Administration Commission and other regulatory agencies on the audit of corporate financial statements, the Company is required to hire a new accounting firm for the year 2024. Upon the recommendation of the Audit committee, the Board has proposed to engage Deloitte Touche Tohmatsu Certified Public Accountants LLP (issuance of audit report in accordance with the standards in the PRC) and Deloitte Touche Tohmatsu (issuance of audit report in accordance with the international standards) as the auditors of the Company for the year 2024 at the forthcoming AGM. Subject to Shareholders' approval, the Board has authorised the Audit Committee to determine the their remuneration.

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

Service Category	Fees Paid/ Payable RMB'000
Auditing services	1,600
Non-audit services – reviewing the 2023 interim financial report of the Company	1,000

15. DIVIDEND POLICY

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

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

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

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

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

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

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

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

16. THE PROCEDURE FOR SHAREHOLDERS TO CONVENE A GENERAL MEETING

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

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

16.1 The Procedure for Shareholders to Convene a General Meeting

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

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

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

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

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

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

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

16.3 The Procedure for Enquiry from Shareholders to the Board

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

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

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

17. COMMUNICATIONS WITH SHAREHOLDERS

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

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

18. AMENDMENTS TO THE ARTICLES OF ASSOCIATION

Due to the change of the name of the Company's promoter shareholder from "Beijing Chaoyang State-owned Capital Operation and Management Center" to "Beijing Chaoyang State Owned Capital Operation Management Company Limited", and matters such as changes in the registered address of the Company, the Board proposes to amend the relevant provision in the Articles of Association. The amendment was considered and approved at 2023 the first extraordinary general meeting on January 19, 2023. For details of the amendment, please refer to the announcement of the Company dated December 20, 2022 and the circular of the Company dated January 3, 2023.

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

Report of the Board of Directors

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

1. BUSINESS REVIEW

1.1 Principal Activities

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

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

1.2 Business Review and Analysis of Key Indicators of Financial Performance

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

1.3 Environmental, Social and Governance Performance

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

2. PROFIT DISTRIBUTIONS

2.1 Final Dividend

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

The Company did not declare any interim dividends for the year ended December 31, 2023 (2022: Nil).

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.

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

2.2 Taxation

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

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

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

3. CLOSURES OF REGISTER OF MEMBERS

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

For determining the entitlement to attend and vote at the forthcoming annual general meeting, the register of members of the Company will be closed from Monday, 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.

4. FINANCIAL SUMMARY

A summary of the Company's results, assets and liabilities for the last five financial years is set out on pages 16 to 17 of this annual report. This summary does not form part of the audited consolidated financial statements.

5. PROPERTY, PLANT AND EQUIPMENT

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

6. SHARE/PAID-IN CAPITAL

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

7. EQUITY-LINKED AGREEMENTS

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

8. RESERVES

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

As at the end of the Reporting Period, the reserves of the Company available for distribution to the Shareholders amounted to approximately RMB524.7 million.

9. BORROWINGS

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

10. CHARITABLE DONATIONS

During the Reporting Period, the Company's charitable donations amounted to RMB0 (2022: RMB0).

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

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

12. PRE-EMPTIVE RIGHTS

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

13. DIRECTORS

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

Non-executive Directors

Mr. ZHANG Shuqing
Mr. LOU Yixiang[1]
Ms.WANG Sujuan[2]
Mr. DU Yunchao[3]
Mr. ZHANG Chunlei[4]

Executive Directors

Mr. HE Rongfeng
Mr. HUANG Wen

Independent Non-executive Directors

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

Note

1: Resigned with effect from December 18, 2023

2: Appointed with effect from June 6, 2023

3: Resigned with effect from September 22, 2023

4: Appointed with effect from December 22, 2023, and his term of office shall be effective from the date of approval of his director's qualification of the Beijing Municipal Bureau of Local Financial Regulation and Supervision

14. SUPERVISORS

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

Mr. ZHANG Jian
Mr. TIAN Anping
Mr. FANG Fang
Mr. KAN Wei[1]
Mr. DU Xiaoming[2]
Mr. TONG Chao
Ms. ZHOU Di[3]
Mr. HUANG Zemiao[4]
Ms. HAN Nana

Note 1: Retired with effect from January 19, 2023

Note 2: Appointed with effect from June 6, 2023

Note 3: Resigned with effect from March 5, 2024

Note 4: Appointed on March 5, 2024, and his term of office shall be effective from the date of approval of his supervisor's qualification of the Beijing Municipal Bureau of Local Financial Regulation and Supervision

15. BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

16. DIRECTOR AND SUPERVISOR SERVICE CONTRACTS

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

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

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

17. CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

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

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

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

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

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

20. DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

21. NON-COMPETITION AGREEMENT

To avoid any potential competition between the business of the Controlling Shareholders and the Company, on December 20, 2019, each of the Controlling Shareholders (Except for Beijing SCOMC which became the new controlling shareholder since December 2022) entered into a non-competition agreement in favor of the Company (the "**Non-competition Agreement**"), pursuant to which each of the Controlling Shareholders irrevocably undertakes to the Company that it will not and will procure its subsidiaries (except the Company) not to, directly or indirectly (whether in the capacity of principal or agent, whether for its own benefit or jointly with or on behalf of any person, firm or company, whether within or outside China), commence, engage in, participate in or acquire any business which competes or may compete directly or indirectly with the core business of the Company or own any rights or interests in such business within the restricted period. Details of the Non-competition Agreement are set out in the section headed "Relationship with the Controlling Shareholders – Non-competition Agreement" in the Prospectus.

The Controlling Shareholders (Except for Beijing SCOMC which became the new controlling shareholder since December 2022) declared that they complied with the Non-competition Agreement during the Reporting Period. The independent non-executive Directors have conducted the review of the aforesaid compliance and also reviewed the relevant undertakings and are satisfied that the Non-competition Agreement has been fully complied with.

22. INDEMNITY OF DIRECTORS AND SUPERVISORS

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

23. MANAGEMENT CONTRACTS

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

24. LOAN AND GUARANTEE

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

25. SHARE SCHEME

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

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

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

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

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

Name of Shareholder	Class of Shares	Capacity/Nature of interest	Number of Shares interested[1]	Approximate percentage of shareholding in the total issued relevant class of Shares[1] (%)	Approximate percentage of shareholding in the total issued Shares[1] (%)
ZGC Finance[2]	Domestic Shares	Beneficial owner	640,000,000 (L)	76.19% (L)	48.00% (L)
ZGC International Holding Limited[2]	H Shares	Beneficial owner	25,476,000 (L)	5.16%(L)	1.91%(L)
ZGC Group[2]	Domestic Shares	Interest of controlled corporation	640,000,000 (L)	76.19% (L)	48.00% (L)
	H Shares	Interest of controlled corporation	25,476,000 (L)	5.16%(L)	1.91%(L)
Beijing State-owned Capital Operation and Management Company Limited[2]	Domestic Shares	Interest of controlled corporation	640,000,000 (L)	76.19% (L)	48.00% (L)
	H Shares	Interest of controlled corporation	25,476,000 (L)	5.16%(L)	1.91%(L)
Chaoyang SCOMC[3]	Domestic Shares	Beneficial owner	100,000,000 (L)		
		Interest of controlled corporation	100,000,000 (L)		
		Total:	200,000,000 (L)	23.81% (L)	15.00% (L)
Beijing Chaoyang International Technology Development Group Co., Ltd. (北京朝陽國際科技發展集團有限公司)[3]	Domestic Shares	Interest of controlled corporation	100,000,000 (L)	11.90% (L)	7.50% (L)
Wangjing Development[3]	Domestic Shares	Beneficial owner	100,000,000 (L)	11.90% (L)	7.50% (L)
Nanshan Capital[4]	H Shares	Beneficial owner	99,900,000 (L)	20.25% (L)	7.49% (L)
Nanshan Group Co., Ltd. (南山集團有限公司)[4]	H Shares	Interest of controlled corporation	99,900,000 (L)	20.25% (L)	7.49% (L)
Nanshan Villagers' Committee of Dongjiang County, Longkou City (龍口市東江鎮南山村村民委員會)[4]	H Shares	Interest of controlled corporation	99,900,000 (L)	20.25% (L)	7.49% (L)

Name of Shareholder	Class of Shares	Capacity/Nature of interest	Number of Shares interested[1]	Approximate percentage of shareholding in the total issued relevant class of Shares [1] (%)	Approximate percentage of shareholding in the total issued Shares[1] (%)
SONG Zuowen (宋作文)[4]	H Shares	Interest of controlled corporation	99,900,000 (L)	20.25% (L)	7.49% (L)
CCCG (HK) Holding Limited (中交集團(香港)控股有限公司)[5]	H Shares	Beneficial owner	58,914,000 (L)	11.94%(L)	4.42%(L)
China Communications Construction Group Limited (中國交通建設集團有限公司)[5]	H Shares	Interest of controlled corporation	58,914,000 (L)	11.94%(L)	4.42%(L)
Beijing Enterprises Group Company Limited[6]	H Shares	Interest of controlled corporation	25,476,000 (L)	5.16% (L)	1.91% (L)
Beijing Enterprises Group (BVI) Company Limited[6]	H Shares	Interest of controlled corporation	25,476,000 (L)	5.16% (L)	1.91% (L)
Morden Orient Limited[6]	H Shares	Interest of controlled corporation	25,476,000 (L)	5.16% (L)	1.91% (L)
Beijing Enterprises Investments Limited[6]	H Shares	Interest of controlled corporation	25,476,000 (L)	5.16% (L)	1.91% (L)
Beijing Enterprises Holdings Limited[6]	H Shares	Interest of controlled corporation	25,476,000 (L)	5.16% (L)	1.91% (L)
Beijing Enterprises Environmental Construction Limited (北控環境建設有限公司)[6]	H Shares	Interest of controlled corporation	25,476,000 (L)	5.16% (L)	1.91% (L)
Beijing Enterprises Water Group Limited (北控水務集團有限公司)[6]	H Shares	Interest of controlled corporation	25,476,000 (L)	5.16% (L)	1.91% (L)
United Crystal Limited[6]	H Shares	Beneficial owner	25,476,000 (L)	5.16% (L)	1.91% (L)
Beijing Haidian State-owned Capital Operation and Management Center (北京市海淀區國有資本經營管理中心)[7]	H Shares	Interest of controlled corporation	36,742,000 (L)	7.45% (L)	2.76% (L)
Beijing Zhongguancun Science City Innovation and Development Co., Ltd. (北京中關村科學城創新發展有限公司)[7]	H Shares	Beneficial owner	36,742,000 (L)	7.45% (L)	2.76% (L)
HU Daosheng (胡道生)[8]	H Shares	Interest of controlled corporation	32,894,000 (L)	6.67% (L)	2.47% (L)
Superior Far East International Holdings Limited [8]	H Shares	Interest of controlled corporation	32,894,000 (L)	6.67% (L)	2.47% (L)
Superior Far East (China) Holdings Limited (佳和控股有限公司)[8]	H Shares	Interest of controlled corporation	32,894,000 (L)	6.67% (L)	2.47% (L)

Notes:

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

(2) ZGC Finance directly holds 640,000,000 Domestic Shares. ZGC International Holding Limited directly holds 25,476,000 H Shares. As ZGC Finance and ZGC International Holdings Limited are wholly-owned subsidiaries of ZGC Group, ZGC Group is deemed to be interested in entire Domestic Shares held by ZGC Finance and H Shares held by ZGC International Holding Limited under the SFO. As ZGC Group is owned as to 50.41% by Beijing SCOMC, Beijing SCOMC is deemed to be interested in entire Domestic Shares held by ZGC Finance and H Shares held by ZGC International Holding Limited under the SFO.

(3) Chaoyang SCOMC directly holds 100,000,000 Domestic Shares. Wangjing Development is a wholly-owned subsidiary of Beijing Chaoyang International Technology Development Group Co., Ltd. which in turn is a wholly-owned subsidiary of Chaoyang SCOMC. Chaoyang SCOMC and Beijing Chaoyang International Technology Development Group Co., Ltd. are also deemed to be interested in 100,000,000 Domestic Shares held by Wangjing Development under the SFO.

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

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

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

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

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

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

28. ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

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

29. MAJOR CUSTOMERS AND SUPPLIERS

During the Reporting Period, the Company's largest customers accounted for approximately 1.52% of the Company's total revenue. The Company's five largest customers accounted for approximately 5.94% of the Company's total revenue.

During the Reporting Period, the Company's largest suppliers accounted for approximately 7.55% of the Company's total cost of sales. The Company's five largest suppliers accounted for 27.45% of the Company's total cost of sales.

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

30. EMPLOYEES AND REMUNERATION POLICY

The Company had 141 employees as at the end of the Reporting Period, as compared to approximately 132 employees as at December 31, 2022. The Company entered into employment contracts with its employees to cover matters such as position, term of employment, wage, employee benefits and liabilities for breaches and grounds for termination.

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

31. RETIREMENT BENEFITS

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

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

32. CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTION

CONTINUING CONNECTED TRANSACTION

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

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

ZGC Group indirectly holds approximately 49.91% of the total issued Shares of the Company and is one of the Controlling Shareholders. Therefore, ZGC Group is a connected person of the Company.

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

Continuing connected transaction	Connected Person(s)	Annual cap for the year 2023 (RMB million)	Actual transaction amount for the year 2023 (RMB million)
Credit Services Framework Agreement			
Credit services (daily maximum outstanding balances including accrued interest) with security over assets of the Company	ZGC Group and/or its associates	3,562.0	1,021.6

Credit Services Framework Agreement

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

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

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

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

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

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

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

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

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

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

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

Confirmation of Independent Non-executive Directors

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

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

(b) on normal commercial terms or better; and

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

Confirmation of the Auditor

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

(a) have not been approved by the Board;

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

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

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

Related Party Transactions

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

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

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

33. DEBENTURES ISSUED

As approved by the Shareholders, the Company issued a 2.04-year asset-backed notes with a principal amount of RMB680.0 million, carrying an interest rate range from 3.50% to 3.84%, which is listed on the Interbank Market Dealers Association on April 7, 2023. The proceeds were mainly used for the Company's operation.

As approved by the Shareholders, the Company issued a 2.27-year asset-backed securities with a principal amount of RMB800.0 million, carrying an interest rate 3.2%, which is listed on the Shanghai Stock Exchange on May 16, 2023. The proceeds were mainly used for the Company's operation.

As approved by the Shareholders, the Company issued RMB 100 million intellectual property asset-backed securities with a term of 1.35 years, carrying an interest rate range from 3.08% to 3.40%, which is listed on the Shenzhen Stock Exchange on November 14, 2023. The proceeds were mainly used for the Company's operation.

As approved by the Shareholders, the Company issued a 0.49-year ultra short term financing bonds with a principal amount of RMB400.0 million, carrying an interest rate of 2.95%, which is listed on the Interbank Market Dealers Association on November 14, 2023. The proceeds were mainly used to repay the loans of the Company's financial institutions.

34. SUFFICIENCY OF PUBLIC FLOAT

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

35. AUDITOR

KPMG will retire at the forthcoming annual general meeting.

According to the relevant regulations of the Beijing State-owned Assets Supervision and Administration Commission and other regulatory agencies on the audit of corporate financial statements, the continuous engagement of the same accounting firm by a specific enterprise shall be subject to a limited tenure. After the completion of the audit work for the year of 2023, the continuous engagement of KPMG and KPMG Huazhen LLP by the Company has reached the stipulated tenure. The Company is required to hire a new accounting firm for the year 2024.

An ordinary resolution for appointment of Deloitte Touche Tohmatsu Certified Public Accountants LLP (issuance of audit report in accordance with the standards in the PRC) and Deloitte Touche Tohmatsu (issuance of audit report in accordance with the international standards) as the auditors of the Company for the year 2024 will be proposed at the forthcoming annual general meeting for Shareholders' approval. In addition, the Company has not changed auditors in the past 5 years.

36. COMPLIANCE WITH LAWS AND REGULATIONS

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

37. MATTERS LEGAL, LITIGATION AND ARBITRATION MATTERS

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

On behalf of the Board
ZHANG Shuqing
Chairman
March 15, 2024

Report of the Board of Supervisors

In 2023, the Board of Supervisors has carried out its supervisory and other duties in accordance with the Company Law of the PRC, the Articles of Association and the Rules of Procedure of the Board of Supervisors of the Company to ensure the sound, stable and sustainable development of the Company as well as to safeguard the legal interests of all Shareholders. The Board of Supervisors has performed effective supervision, through the inspection of relevant documents and information of the Company, financial reports, and attending meetings of the Board of Directors and the Shareholders' general meetings, on the operation status, financial positions, connected transactions and internal control of the Company. The Board of Supervisors expressed the following independent opinion of such matters of the Company during the reporting period:

1. PARTICULARS OF MAJOR WORKS OF THE BOARD OF SUPERVISORS

1.1 Meetings of the Board of Supervisors

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

(1) On January 19, 2023, the Board of Supervisors convened the first meeting of the second session of the Board of Supervisors. Proposal on Election of the Chairman of the second session of the Board of Supervisors was considered and approved at the meeting.

(2) On March 17, 2023, the Board of Supervisors convened the second meeting of the second session of the Board of Supervisors. 5 resolutions were considered and approved at the meeting, including the Financial Report for 2022, the Annual Report for 2022 and the Annual Results Announcement for 2022 formed according to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the 2023 Financial Budget Plan, the 2022 Profit Distribution Plan and the Report of the Board of Supervisors for 2022.

(3) On August 18, 2023, the Board of Supervisors convened the third meeting of the second session of the Board of Supervisors. 2 resolutions were considered and approved at the meeting, including the Interim Financial Report for 2023 and the Interim Report for 2023 and the Interim Results Announcement for 2023 formed according to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

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

During the Reporting Period, the Supervisors attended nine Board meetings, the 2023 first extraordinary general meeting, the 2022 annual general meeting and the 2023 second extraordinary general meeting and had no objection against the contents of reports and proposals submitted by the Board to the general meetings of the Company for the Shareholders' consideration. The Board of Supervisors supervised the implementation of the resolutions approved at the general meetings of the Company and considered that the Board was able to execute the resolutions approved at the general meetings of the Company.

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

2.1 Compliant Operation

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

2.2 The Authenticity of the Financial Report

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

2.3 Use of Proceeds from Initial Public Offering

During the Reporting Period, the use of proceeds from the Company's initial public offering was consistent with the purpose stated in the announcement of the Company dated October 20, 2023 and the circular of the Company dated November 10, 2023.

2.4 Connected Transactions

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

2.5 Information Disclosure

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

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

On behalf of the Board of Supervisors
ZHANG Jian
Chairman of the Board of Supervisors
March 15, 2024

Environmental, Social and Governance Report

ABOUT THE REPORT

This is the fourth environmental, social, and governance ("**ESG**") report of Zhongguancun Science-Tech Leasing Co., Ltd. (the "**Company**", or "**we**"). The purpose of this report is to report the social responsibility and the sustainability practices of the Company and its subsidiaries in 2023, as well as to respond to the material issues concerned by our key stakeholders. For more information on corporate governance of the Company, please refer to the "Corporate Governance Report" section in this annual report.

Basis Of Preparation

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

Reporting Scope

The principal activities of the Company are offering efficient finance lease solutions and a variety of advisory services to satisfy technology and new economy companies' needs for financial services at different stages of their growth. This report covers the Company's overall environmental and social performances and selected key performance indicators for the period from January 1, 2023 to December 31, 2023 (the "**Reporting Period**"), unless otherwise stated.

Data Explanation

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

Review of the Report

The report has been reviewed and approved by the Board on March 15, 2024.

Publication of the Report

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

Reporting Principles

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

- ***Materiality***

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

- ***Quantitative***

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

- ***Balance***

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

- ***Consistency***

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

Readers Feedback

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

Environmental, Social and Governance Report

ESG GOVERNANCE

Board Statement

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

The Board continuously monitors ESG work, pays attention to the latest regulations on ESG disclosure by the Stock Exchange, and ensures close cooperation among departments to jointly achieve the goals of compliant operation and social responsibility. The Board will also regularly review the plans and implementation of related work based on the goals set by the Company, and monitor the coordination and management of ESG matters.

ESG Governance Structure

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

The Company established the Environmental, Social and Governance Committee (the "**ESG Committee**") in June to continuously improve the top-down ESG management system.

The major duties and authorities of the ESG Committee are as follows:

(1) to guide and review the Company's ESG management policies, strategies, principles and vision to ensure that they keep pace with the times, meet the needs, and comply with applicable laws and regulatory requirements;

(2) to supervise the establishment the Company's ESG management performance objectives, review the progress of realisation of the objectives and provide suggestions on the actions needed to achieve the objectives;

(3) to review the Company's Annual Environmental, Social and Governance Report and other ESG-related disclosures, and to make recommendations to the Board for approval;

(4) to identify and assess ESG risks and opportunities related to the Company;

(5) to guide and review the identification and prioritisation of important ESG issues of the Company;

(6) to perform other duties assigned by the Board.

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

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

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

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

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

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

(6) to fulfill other responsibilities authorized by the Board.

Environmental, Social and Governance Report

Stakeholder Engagement

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

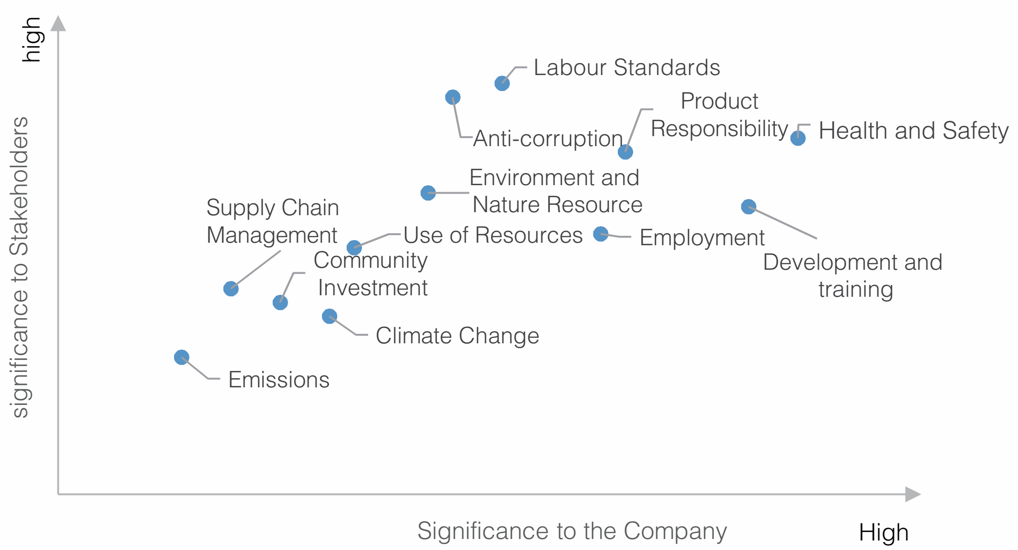
The following table summarizes the main expectations and concerns of the key stakeholders as identified by the Group, and the corresponding management responses.

Stakeholder	Requirement and Expectation	Communication and Response
Governments and Regulatory Bodies	• Compliance with national policies, laws and regulations • Real economy service • Pay taxes according to law • Anti-corruption	• Regular reporting • Policy implementation • Examinations and inspections • Education and learning
Shareholders	• Business performance and corporate strategy • Corporate governance and compliant operations • Rise in company value • Transparent information and efficient communication • Risk management	• Financial reports and announcements • General meetings and road-shows • Emails, telephone contacts and • company websites • Dedicated reports
Suppliers and partners	• Supply chain management • Business ethics	• Formulating purchasing management rules • Strategic cooperation agreements
Customers	• Outstanding products and services • Client information security • Operation with integrity	• Customers meetings • Regular visits • Customer feedback

Stakeholder	Requirement and Expectation	Communication and Response
Employees	• Employees' rights and benefits • Employee health and safety • Employee development and training	• Trade union activities • Employee physical examination • Online learning platform
Community and the public	• Community services • Environmental protection	• Charity activities • Company website

Materiality Assessment

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



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

Environmental, Social and Governance Report

ENVIRONMENTAL PROTECTION

A1. Emissions

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

A1.1. Emissions

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

During the Reporting Period, employees of the Company attended business trips by plane, which generated an aggregate of 114.50 tons of carbon dioxide emissions.

A1.2. Greenhouse Gas Emissions

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

Greenhouse gas	Emission amount in 2023	Emission amount in 2022	Emission density in 2023	Emission density in 2022
Carbon dioxide (CO_2) emission (Scope 1)	5.94 tons	9.74 tons	0.04 tons per person	0.07 tons per person
Carbon dioxide (CO_2) emission (Scope 2)	85.76 tons	83.39 tons	0.60 tons per person	0.63 tons per person
Carbon dioxide (CO_2) emission (Scope 3)	117.17 tons	41.35 tons	0.83 tons per person	0.31 tons per person
Total carbon dioxide (CO_2) emission equivalent	208.86 tons	134.48 tons	1.47 tons per person	1.02 tons per person

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

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

Air pollutants	The amount generated in 2023	The amount generated in 2022	The density generated in 2023	The density generated in 2022
Nitrogen oxide (NO_x)	25,574.73 grams	44,380.10 grams	180.10 grams per person	336.21 grams per person
Sulfur oxide (SO_x)	36.97 grams	60.65 grams	0.26 grams per person	0.46 grams per person
Particulates (PM)	2,450.55 grams	4,252.47 grams	17.26 grams per person	32.22 grams per person

A1.3. Hazardous Waste

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

Hazardous waste	The amount generated in 2023	The amount generated in 2022	The density generated in 2023	The density generated in 2022
Waste batteries	38.45 kilograms	31.21 kilograms	0.27 kilograms per person	0.24 kilograms per person
Waste ink cartridges	111 pieces	148 pieces	0.78 pieces per person	1.12 pieces per person

A1.4. Non-hazardous Waste

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

Non-hazardous waste	The amount generated in 2023	The amount generated in 2022	The density generated in 2023	The density generated in 2022
Waste paper	555.12 kilograms	647.64 kilograms	3.91 kilograms per person	4.91 kilograms per person

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

A1.5. Measures to Mitigate Emissions

The Company's operations resulted in insignificant emissions.

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

As a measure to mitigate emission and to increase productivity, business phone calls are encouraged for internal and external communications to reduce the need of business air trips.

During the Reporting Period, we were not subject to any punishments and legal proceedings resulting from violating environmental issues.

A1.6. Waste Handling and Reduction Initiatives

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

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

A2. Use of Resources

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

A2.1. Energy Consumption

Resources usage	Consumption in 2023	Consumption in 2022	Per capita consumption in 2023	Per capita consumption in 2022
Total electricity consumption	88,590.00 kWh	86,143.00 kWh	623.87 kWhs per person	652.60 kWhs per person
Gasoline consumption	2,514.90 liters	4,125.70 liters	17.71 Liters per person	31.26 Liters per person
Office paper	2.78 tons	3.24 tons	0.02 tons per person	0.02 tons per person

A2.2. Water Consumption

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

A2.3. Energy Use Efficiency Initiatives

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

1. Reasonably plan electricity usage. Under conditions of sufficient sunlight during the day, the lighting of offices and meeting rooms should make full use of natural light and reduce the use of indoor lighting.

2. Reasonably use air conditioning. The indoor air conditioning temperature should be set as low as 26℃ in summer and as low as 24℃ in winter. In the spring and autumn seasons, try to make full use of natural wind to open windows for ventilation and reduce the use of air conditioning.

3. Reduce device brightness. Moderately reduce the brightness of the display screen on computers, monitors, and conference room projection equipment. During short breaks, please activate standby mode and try to turn off the monitor as much as possible. After work, turn off the monitor and unplug it at will.

4. Reduce the long standby time of power consuming devices. Power consuming devices in public areas such as copiers, shredders, water dispensers, and conference room equipment should be turned off after use.

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

A2.4. Water Use Efficiency Initiatives

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

A2.5. Packaging Materials

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

A3. The Environment and Natural Resources

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

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

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

During the Reporting Period, the Company earnestly implemented various policies and requirements of green finance, took carbon peaking and carbon neutrality as a key business field, increased resource allocation and pricing support, enriched product lines, upgraded service mode of carbon peaking and carbon neutrality business, strengthened the concept of green development, and promoted green finance. In 2023, the Company' finance leasing principles recognized over RMB1.2 billion in the fields of energy conservation, environmental protection, clean energy, ecological protection and environmental governance, hazardous waste disposal, recycling and other fields, effectively supporting the cause of environmental protection through financial leasing.

B. SOCIAL

1. Employment and Labor Practices

B1. Employment

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

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

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

The Company had a total number of 141 employees as at December 31, 2023 (132 employees in 2022), all of which were from the PRC and located in Beijing.

Workforce	Unit	2023	2022
By Employment Type			
Full-time	Person	**141**	132
Part-time	Person	**0**	0
By Gender			
Female	Person	**67**	63
Male	Person	**74**	69
By Employee Category			
Senior Management	Person	**7**	7
Middle Management	Person	**20**	22
Frontline and Other Employees	Person	**114**	103
By Age Group			
35 or under	Person	**76**	79
36-54	Person	**62**	51
55 or above	Person	**3**	2
By Academic Qualification			
Master or above	Person	**93**	84
Bachelor	Person	**48**	48
Junior college graduate or below	Person	**0**	0

A total of 8 employees left the Company during the Reporting Period (turnover rate:5.7%) who were all full-time employees in the PRC. (A total of 20 employees left the Company in 2022, turnover rate is 15%)

Turnover	Unit	2023	2022
By Gender			
Female	Percentage	4.5	11.1
Male	Percentage	6.8	18.8
By Employee Category			
Senior Management	Percentage	0	0
Middle Management	Percentage	0	9.1
Frontline and Other Employees	Percentage	7.0	17.5
By Age Group			
35 or under	Percentage	7.9	16.5
36-54	Percentage	3.2	13.4
55 or above	Percentage	0	0
By Academic Qualification			
Master or above	Percentage	6.5	16.7
Bachelor	Percentage	4.2	12.5
Junior college graduate or below	Percentage	0	0

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

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

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

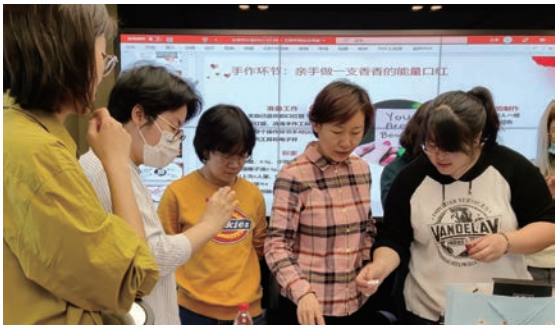
B2. Health and Safety

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

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

The Company continues to strengthen the construction of corporate culture, and actively develop a variety of cultural and sports activities. The company fully responds to the needs of employees, and holds a variety of activities, such as on, the "Brilliant Lipstick · Goddess's Day Lipstick Handmade"(絢爛唇彩·女神節口紅手作) activity on International Women's Day on March 8th, the "Experience Little Journalist Day"(體驗小記者一天) activity on Children's Day on June 1st, the "Eye Free Diagnosis"(眼睛義診) activity on National Eye Care Day, as well as a series of health activities such as daily Chinese medicine massage, Chinese medicine consultation, oral free diagnosis, plantar free diagnosis, vascular free diagnosis, skin and scalp free diagnosis, etc., which effectively conveys the value concept of the company, improves the spiritual outlook of all employees and enhances the cohesion of employees.

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B3. *Development and Training*

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

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

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

During the Reporting Period, a total of 26,050 training hours was completed by 141 employees. (a total of 21,708 training hours was completed in 2022)

Development and Training	Unit	2023	2022
Percentage of Employees Trained by Employee Category			
Senior Management	Percentage	**100**	100
Middle Management	Percentage	**100**	100
Frontline and Other Employees	Percentage	**100**	100
Percentage of Employees Trained by Gender			
Female	Percentage	**100**	100
Male	Percentage	**100**	100
Average Training Hours Completed per Employee by Employee Category			
Senior Management	Hour	**216**	182
Middle Management	Hour	**194**	165
Frontline and Other Employees	Hour	**177**	150
Average Training Hours Completed per Employee by Gender			
Female	Hour	**184**	165
Male	Hour	**184**	165

B4. Labor Standards

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

2. Operating Practices

B5. Supply Chain Management

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

B6. Product Responsibility

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

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

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

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

B7. Anti-corruption

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

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

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

B8. Community Investment

Practicing the responsibility of state-owned enterprises and fulfilling social responsibilities, during the reporting period, the Company actively participated in consumer poverty alleviation actions, purchased nearly RMB130,000 of poverty alleviation materials, and assisted the development of industries in poverty-stricken areas with practical actions. At the same time, the 2023 Communist Party member donation campaign was launched.

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

OPINION

We have audited the consolidated financial statements of Zhongguancun Science-Tech Leasing Co., Ltd. (the "**Company**") and its consolidated structured entities (the "**Group**") set out on pages 157 to 247 which comprise the consolidated statement of financial position as at December 31, 2023, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes, comprising material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2023 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board (the "**IASB**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS (continued)

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

KEY AUDIT MATTERS (continued)

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

KEY AUDIT MATTERS (continued)

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

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

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

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

March 15, 2024

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

The notes on pages 165 to 247 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in Note 23(e).

Consolidated Statements of Profit or Loss and Other Comprehensive Income

For the year ended December 31, 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

The notes on pages 165 to 247 form part of these financial statements.

Consolidated Statements 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
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

The notes on pages 165 to 247 form part of these financial statements.

Consolidated Statements of Financial Position

As at December 31, 2023
(Expressed in RMB)

	Note	**December 31, 2023 RMB'000**	December 31, 2022 RMB'000
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.

Chairman

General manager

The notes on pages 165 to 247 form part of these financial statements.

Consolidated Statements 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

The notes on pages 165 to 247 form part of these financial statements.

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

The notes on pages 165 to 247 form part of these financial statements.

Consolidated Statement of Cash Flows

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

	Note	2023 RMB'000	2022 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)

The notes on pages 165 to 247 form part of these financial statements.

Consolidated Statement of Cash Flows

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

	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

The notes on pages 165 to 247 form part of these 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.

1 MATERIAL ACCOUNTING POLICIES (continued)

(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.

(Expressed in RMB unless otherwise indicated)

1 MATERIAL ACCOUNTING POLICIES (continued)

(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.

1 MATERIAL ACCOUNTING POLICIES (continued)

(c) Changes in accounting policies (continued)

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.

1 MATERIAL ACCOUNTING POLICIES (continued)

(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.

1 MATERIAL ACCOUNTING POLICIES (continued)

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

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.

1 MATERIAL ACCOUNTING POLICIES (continued)

(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.

1 MATERIAL ACCOUNTING POLICIES (continued)

(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.

1 MATERIAL ACCOUNTING POLICIES (continued)

(h) Leased assets (continued)

(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)).

1 MATERIAL ACCOUNTING POLICIES (continued)

(h) Leased assets (continued)

(i) As a lessee (continued)

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.

(Expressed in RMB unless otherwise indicated)

1 MATERIAL ACCOUNTING POLICIES (continued)

(h) Leased assets (continued)

(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.

1 MATERIAL ACCOUNTING POLICIES (continued)

(i) Financial instruments (continued)

(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.

1 MATERIAL ACCOUNTING POLICIES (continued)

(i) Financial instruments (continued)

(ii) Classification and subsequent measurement (continued)

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.

1 MATERIAL ACCOUNTING POLICIES (continued)

(i) Financial instruments (continued)

(ii) Classification and subsequent measurement (continued)

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.

(Expressed in RMB unless otherwise indicated)

1 MATERIAL ACCOUNTING POLICIES (continued)

(i) Financial instruments (continued)

(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.

1 MATERIAL ACCOUNTING POLICIES (continued)

(i) Financial instruments (continued)

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

Measurement of ECLs (continued)

ECLs are measured on either of the following bases:

– 12-month ECLs: these are 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.

(Expressed in RMB unless otherwise indicated)

1 MATERIAL ACCOUNTING POLICIES (continued)

(i) Financial instruments (continued)

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

Significant increases in credit risk (continued)

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.

1 MATERIAL ACCOUNTING POLICIES (continued)

(i) Financial instruments (continued)

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

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.

(Expressed in RMB unless otherwise indicated)

1 MATERIAL ACCOUNTING POLICIES (continued)

(j) Fair value measurement (continued)

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)).

1 MATERIAL ACCOUNTING POLICIES (continued)

(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.

1 MATERIAL ACCOUNTING POLICIES (continued)

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

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.

1 MATERIAL ACCOUNTING POLICIES (continued)

(p) Employee benefits (continued)

(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.

1 MATERIAL ACCOUNTING POLICIES (continued)

(q) Income tax (continued)

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.

1 MATERIAL ACCOUNTING POLICIES (continued)

(q) Income tax (continued)

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.

(Expressed in RMB unless otherwise indicated)

1 MATERIAL ACCOUNTING POLICIES (continued)

(s) Revenue and other income (continued)

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.

1 MATERIAL ACCOUNTING POLICIES (continued)

(s) Revenue and other income (continued)

(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.

1 MATERIAL ACCOUNTING POLICIES (continued)

(v) Related parties (continued)

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

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

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

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

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

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

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

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

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

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

1 MATERIAL ACCOUNTING POLICIES (continued)

(w) Segment reporting

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

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

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

2 ACCOUNTING JUDGEMENT AND ESTIMATES

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

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

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

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

- 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** **RMB'000**	2022 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

(Expressed in RMB unless otherwise indicated)

6 OPERATING EXPENSE

Profit before taxation is arrived at after charging:

(a) Staff costs

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

(Expressed in RMB unless otherwise indicated)

8 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

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

	Note	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

(Expressed in RMB unless otherwise indicated)

9 DIRECTORS' AND SUPERVISORS' REMUNERATION (continued)

	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
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

(Expressed in RMB unless otherwise indicated)

9 DIRECTORS' AND SUPERVISORS' REMUNERATION (continued)

	2022					
	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Cash-settled share-based payment RMB'000	Total RMB'000
Non-executive directors						
Zhang Shuqing (張書清)	–	–	–	–	–	–
Lou Yixiang (婁毅翔)	–	–	–	–	–	–
Du Yunchao (杜雲超)	–	–	–	–	–	–
Duan Hongwei (段宏偉) (resigned on November 16, 2022)	–	–	–	–	34	34
Executive directors						
He Rongfeng (何融峰)	–	578	960	–	34	1,572
Huang Wen (黃聞)	–	831	300	–	27	1,158
Independent non-executive directors						
Cheng Dongyue (程東躍)	–	150	–	–	–	150
Wu Tak Lung (吳德龍)	–	150	–	–	–	150
Lin Zhen (林禎)	–	150	–	–	–	150
Supervisors						
Zhang Jian (張健)	–	–	–	–	–	–
Tian Anping (田安平)	–	–	–	–	–	–
Fang Fang (方放)	–	–	–	–	–	–
Kan Wei (闞巍)	–	–	–	–	–	
Tong Chao (佟超)	–	620	300	–	–	920
Zhou Di (周迪)	–	663	144	–	–	807
Han Nana (韓娜娜)	–	352	129	–	–	481
Total	–	3,494	1,833	–	95	5,422

(Expressed in RMB unless otherwise indicated)

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

(Expressed in RMB unless otherwise indicated)

13 PROPERTY AND EQUIPMENT

	Properties leased for own use carried at cost RMB'000	Electronic equipment RMB'000	Office equipment RMB'000	Machinery leased out under operating leases RMB'000	Others RMB'000	Total 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

13 PROPERTY AND EQUIPMENT (continued)

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 RMB'000	December 31, 2022 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.

(Expressed in RMB unless otherwise indicated)

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.

15 LOANS AND RECEIVABLES (continued)

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.

(Expressed in RMB unless otherwise indicated)

15 LOANS AND RECEIVABLES (continued)

(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

(Expressed in RMB unless otherwise indicated)

15 LOANS AND RECEIVABLES (continued)

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

	December 31, 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	Proportion of ownership 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

17 INTEREST IN ASSOCIATES (continued)

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

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

Aggregate information of associates that not individually material:

	2023 **RMB'000**	2022 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

(Expressed in RMB unless otherwise indicated)

18 OTHER ASSETS

	Note	December 31, 2023 RMB'000	December 31, 2022 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

19 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

(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

20 CASH AND CASH EQUIVALENTS (continued)

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

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

(c) Total cash outflow for leases

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

	2023 RMB'000	2022 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.

21 BORROWINGS (continued)

Notes: (continued)

(ii) (continued)

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.

21 BORROWINGS (continued)

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

	2023 RMB'000	2022 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

(Expressed in RMB unless otherwise indicated)

22 TRADE AND OTHER LIABILITIES (continued)

(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

22 TRADE AND OTHER LIABILITIES (continued)

(b) Lease liabilities

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

(Expressed in RMB unless otherwise indicated)

23 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

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

	Share capital RMB'000 23(b)	Capital reserve RMB'000 23(c)	Surplus reserve RMB'000 23(d)(i)	Fair value reserve RMB'000 23(d)(ii)	General reserve RMB'000 23(d)(iii)	Retained profits RMB'000	Total equity RMB'000
At January 1, 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

23 CAPITAL, RESERVES AND DIVIDENDS (continued)

(b) Share capital

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

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

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

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

(c) Capital reserve

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

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

23 CAPITAL, RESERVES AND DIVIDENDS (continued)

(d) Reserves

(i) Surplus reserve

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

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

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

(ii) Fair value reserve (non-recycling)

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

(iii) General reserve

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

23 CAPITAL, RESERVES AND DIVIDENDS (continued)

(e) Dividends

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

According to the proposal of the meeting of board of directors dated March 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 **RMB'000**	2022 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.

(Expressed in RMB unless otherwise indicated)

24 SHARE-BASED PAYMENT ARRANGEMENTS (continued)

(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).

25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(a) Credit risk (continued)

(i) Loans and receivables credit risk management

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. As at December 31, 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.

25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(a) Credit risk (continued)

(ii) Risk limits management and mitigation measures

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

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

Other specific management and mitigation measures include:

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

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

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.

25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(a) Credit risk (continued)

(ii) Risk limits management and mitigation measures (continued)

Concentration risk of credit exposure

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%

(Expressed in RMB unless otherwise indicated)

25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(a) Credit risk (continued)

(ii) Risk limits management and mitigation measures (continued)

Concentration risk of credit exposure (continued)

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%

25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(a) Credit risk (continued)

(ii) Risk limits management and mitigation measures (continued)

Concentration risk of credit exposure (continued)

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

	December 31, 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.

25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(b) Market risk (continued)

(i) Currency risk

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

The directors consider the Group's exposure to foreign currency risk is not significant for 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.

25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(b) Market risk (continued)

(ii) Interest rate risk (continued)

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

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

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

(Expressed in RMB unless otherwise indicated)

25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(c) Liquidity risk

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

	Indefinite/ overdue/on demand RMB'000	Within 1 month RMB'000	1 to 3 months RMB'000	3 months to 1 year RMB'000	1 to 5 years RMB'000	More than five years RMB'000	Total 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

25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(c) Liquidity risk (continued)

	Indefinite/ overdue/on demand RMB'000	Within 1 month RMB'000	1 to 3 months RMB'000	3 months to 1 year RMB'000	1 to 5 years RMB'000	Total RMB'000
December 31, 2022						
Cash and cash equivalent	634,987	–	–	–	–	634,987
Pledged and restricted deposits	–	–	–	53,754	–	53,754
Loans and receivables	428,736	375,007	1,223,872	4,353,297	4,491,590	10,872,502
Financial assets at FVOCI	12,299	–	–	–	–	12,299
Financial assets at FVTPL	33,181	–	–	–	–	33,181
Other assets – notes and other receivables	4,526	–	–	–	3,725	8,251
Total financial assets	1,113,729	375,007	1,223,872	4,407,051	4,495,315	11,614,974
Borrowings	–	328,132	689,170	2,879,013	2,505,887	6,402,202
Trade and other liabilities	594	110,555	239,906	829,241	976,171	2,156,467
Lease liabilities	–	49	3,656	10,658	20,384	34,747
Total financial liabilities	594	438,736	932,732	3,718,912	3,502,442	8,593,416
Net exposure	1,113,135	(63,729)	291,140	688,139	992,873	3,021,558

(Expressed in RMB unless otherwise indicated)

25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(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

25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(d) Fair values (continued)

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.

25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(d) Fair values (continued)

Information about Level 3 fair value measurements (continued)

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

	2023 RMB'000	2022 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.

27 MATERIAL RELATED PARTY TRANSACTIONS (continued)

(b) Transaction amounts with related parties:

	2023 **RMB'000**	2022 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

(Expressed in RMB unless otherwise indicated)

27 MATERIAL RELATED PARTY TRANSACTIONS (continued)

(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.

27 MATERIAL RELATED PARTY TRANSACTIONS (continued)

(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 RMB'000	December 31, 2022 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

(Expressed in RMB unless otherwise indicated)

28 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION (continued)

	December 31, 2023 RMB'000	December 31, 2022 RMB'000
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.

Chairman

General manager

29 CONSOLIDATED STRUCTURED ENTITIES

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

As at December 31, 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).

(Expressed in RMB unless otherwise indicated)

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.

Definitions

In this annual report, unless the context otherwise requires, the following expressions shall have the following meanings.

"ABS"	assets-backed securities
"2023 AGM"	the AGM to be held on May 10, 2024
"AGM"	annual general meeting of the Company
"Articles" or "Articles of Association"	the articles of association of the Company
"Audit Committee"	the audit committee of the Company
"Beijing SCOMC"	Beijing State-owned Capital Operation and Management Company Limited (北京國有資本運營管理有限公司), a company incorporated under the laws of the PRC with limited liability on December 30, 2008 and also one of the Controlling Shareholders
"Board"	the board of Directors
"Board Committees"	collectively, Audit Committee, Nomination Committee, Remuneration Committee, Risk Control Committee and Environmental, Social and Governance Committee
"Board of Supervisors"	the board of supervisors of the Company
"CG Code"	the "Corporate Governance Code" as contained in Appendix C1 to the Listing Rules
"Chairman"	the chairman of the Board
"Chaoyang SCOMC"	Beijing Chaoyang State Owned Capital Operation and Management Company Limited (北京朝陽國有資本運營管理有限公司), a state-owned enterprise established under the laws of the PRC on May 27, 2009 and also a substantial shareholder of the Company
"China" or "PRC"	the People's Republic of China, which for the purpose of this annual report and for geographical reference only, excludes Hong Kong, Macau and Taiwan

Definitions

"close associate"	has the meaning ascribed to it in the Listing Rules
"Company", "Group" or "we"	Zhongguancun Science-Tech Leasing Co., Ltd. (中關村科技租賃股份有限公司), a joint stock company incorporated under the laws of the PRC with limited liability on August 16, 2019, or its predecessor
"Controlling Shareholder(s)"	has the meaning ascribed thereto under the Listing Rules and unless the context requires otherwise, refers to Beijing SCOMC, ZGC Group and ZGC Finance
"Director(s)"	the director(s) of the Company
"Domestic Shares"	ordinary shares issued by the Company, with a nominal value of RMB1.00, which are subscribed for or credited as paid in RMB
"H Share(s)"	overseas listed foreign shares in the ordinary share capital of the Company with a nominal value of RMB1.00 each, which are subscribed for and traded in HK dollars and listed on the Stock Exchange
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Listing"	listing of the H Shares on the Main Board of the Stock Exchange
"Listing Date"	January 21, 2020, on which the H Shares are listed and from which dealings therein are permitted to take place on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
"Model Code"	the "Model Code for Securities Transactions by Directors of Listed Issuers" set out in Appendix C3 to the Listing Rules
"Nanshan Capital"	Nanshan Group Capital Investment Co., Ltd. (南山集團資本投資有限公司), a company incorporated under the laws of the PRC with limited liability on November 18, 2011 and also a shareholder of Domestic Shares
"Nomination Committee"	the nomination committee of the Company

"PBOC"	People's Bank of China (中國人民銀行), the central bank of the PRC
"Remuneration Committee"	the remuneration committee of the Company
"Reporting Period"	the year ended December 31, 2023
"Risk Control Committee"	the risk control committee of the Company
"Environmental, Social and Governance Committee"	the environmental, social and governance committee of the Company
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) of RMB1.00 each in capital of the Company, comprising the Domestic Shares and the H Shares
"Shareholder(s)"	holder(s) of Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supervisor(s)"	the supervisor(s) of the Company
"Wangjing Development"	Beijing Chaoyang District Wangjing Xinxing Industry Zone Comprehensive Development Company (北京望京新興產業區綜合開發有限公司), a company incorporated under the laws of the PRC with limited liability on July 11, 1994, which is wholly owned by Chaoyang SCOMC and also a shareholder of Domestic Shares
"ZGC Finance"	Beijing Zhongguancun Finance Group Co., Ltd. (北京中關村科技創業金融服務集團有限公司), a company incorporated under the laws of the PRC with limited liability on February 24, 2009 and also one of the Controlling Shareholders
"ZGC Group"	Zhongguancun Development Group Co., Ltd. (中關村發展集團股份有限公司), a company incorporated under the laws of the PRC with limited liability on March 31, 2010 and also one of the Controlling Shareholders
"%"	per cent