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中關村科技租賃股份有限公司
ZHONGGUANCUN SCIENCE-TECH LEASING CO., LTD.

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

(Stock Code: 1601)

ANNOUNCEMENT OF ANNUAL RESULTS
FOR THE YEAR ENDED DECEMBER 31, 2022

FINANCIAL HIGHLIGHTS

- For the year ended December 31, 2022, the revenue amounted to approximately RMB743.1 million, representing an increase of approximately 13.1% as compared with that of approximately RMB656.9 million for the year ended December 31, 2021.
- For the year ended December 31, 2022, the profit before taxation amounted to approximately RMB301.1 million, representing an increase of approximately 15.1% as compared with that of approximately RMB261.6 million for the year ended December 31, 2021.
- For the year ended December 31, 2022, the profit amounted to approximately RMB226.1 million, representing an increase of approximately 15.4% as compared with that of approximately RMB195.9 million for the year ended December 31, 2021.
- As of December 31, 2022, the total assets amounted to approximately RMB10,914.9 million, representing an increase of approximately 15.8% as compared with that of approximately RMB9,428.6 million as of December 31, 2021.
- As of December 31, 2022, the total shareholders' equity amounted to approximately RMB2,220.4 million, representing an increase of approximately 8.1% as compared with that of approximately RMB2,054.1 million as of December 31, 2021.
- For the year ended December 31, 2022, the return on average equity was 10.6%.
- For the year ended December 31, 2022, the return on average assets was 2.2%.
- The Board recommends the payment of a final dividend of RMB0.06 per share (tax inclusive) for the year ended December 31, 2022.

ANNUAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Zhongguancun Science-Tech Leasing Co., Ltd. (中關村科技租賃股份有限公司) (the “**Company**”) is pleased to announce that the audited consolidated annual results of the Company and its consolidated structured entities (together, the “**Group**” or “**We**”) for the year ended December 31, 2022 (the “**Reporting Period**”) with the comparative figures for the year ended December 31, 2021 are as follows:

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

For the year ended December 31, 2022

(Expressed in Renminbi (“**RMB**”))

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

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME*For the year ended December 31, 2022**(Expressed in RMB)*

	<i>Note</i>	2022 RMB'000	2021 RMB'000
Profit for the year		226,104	195,917
Other comprehensive income for the year (after tax and reclassification adjustments)			
Items that will not be reclassified to profit or loss:	<i>12</i>		
– Equity investments at fair value through other comprehensive income			
– net movement in fair value reserves (non-recycling)		<u>235</u>	<u>349</u>
Total comprehensive income for the year		<u>226,339</u>	<u>196,266</u>
Attributable to:			
Equity shareholders of the Company		<u>226,339</u>	<u>196,266</u>
Total comprehensive income for the year		<u>226,339</u>	<u>196,266</u>

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at December 31, 2022

(Expressed in RMB)

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

	<i>Note</i>	December 31, 2022 RMB'000	December 31, 2021 RMB'000
Non-current liabilities			
Borrowings	21	2,504,824	2,539,257
Trade and other liabilities	22	1,017,687	898,092
		<u>3,522,511</u>	<u>3,437,349</u>
NET ASSETS		<u>2,220,420</u>	<u>2,054,081</u>
CAPITAL AND RESERVES			
Share capital	23	1,333,334	1,333,334
Reserves		887,086	720,747
		<u>2,220,420</u>	<u>2,054,081</u>
Total equity attributable to equity shareholders of the Company		<u>2,220,420</u>	<u>2,054,081</u>
TOTAL EQUITY		<u>2,220,420</u>	<u>2,054,081</u>

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the year ended December 31, 2022

(Expressed in RMB)

	Note	Attributable to equity shareholders of the Company						Total equity RMB'000
		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	
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

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

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

CONSOLIDATED CASH FLOWS STATEMENTS

For the year ended December 31, 2022

(Expressed in RMB)

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

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

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

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

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended December 31, 2022 comprise the Company and its consolidated structured entities (see Note 29) (together referred to as the “**Group**”) and the Group’s interest in associates.

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

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

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

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

(c) Changes in accounting policies

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

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

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

(d) Subsidiaries and non-controlling interests

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

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

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

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

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

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

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

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

(e) Associates

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

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

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

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

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

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

(f) Property and equipment

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

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

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

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

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

(g) Intangible assets

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

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

Estimate useful lives

Software	5-10 years
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Both the period and method of amortization are reviewed annually.

(h) Leased assets

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

(i) As a lessee

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

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

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

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

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

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract (“**lease modification**”) that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are rent concessions that occurred as a direct consequence of the COVID-19 pandemic and met the conditions set out in IFRS 16, Leases. In such cases, the Group has taken advantage of the practical expedient not to assess whether the rent concessions are lease modifications, and recognised the change in consideration as negative variable lease payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred.

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

(ii) As a lessor

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

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

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

(i) Financial instruments

(i) Recognition and initial measurement

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

(ii) Classification and subsequent measurement

Classification of financial assets

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

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

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are Solely Payments of Principal and Interest (“**SPPI**”).

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

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

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

All other financial assets are classified as measured at FVTPL.

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

Subsequent measurement of financial assets

Financial assets at FVTPL

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

Financial assets at amortised cost

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

Debt investments at FVOCI

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

Equity investments at FVOCI

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

Classification and subsequent measurement of financial liabilities

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

(iii) Derecognition

Financial assets

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

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

Financial liabilities

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

(iv) Offsetting

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

(v) Credit losses and impairment of assets

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

- financial assets measured at amortised cost;
- finance lease receivables; and
- credit commitments.

Financial assets measured at FVTPL and equity securities designated at FVOCI (non-recycling) are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

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

- fixed-rate financial assets and trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof;
- variable-rate financial assets: current effective interest rate;
- loans and receivables: discount rate used in the measurement of loans and receivables;
- credit commitments: current risk-free rate adjusted for risks specific to the cash flows

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

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

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

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

Significant increases in credit risk

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

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

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

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

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

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

Basis of calculation of interest income

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

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

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

(j) Fair value measurement

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

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

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

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

(k) Trade and other receivables

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

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

(l) Cash and cash equivalents

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

(m) Trade and other payables

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

(n) Interest-bearing borrowings

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

(o) Impairment of non-financial assets

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

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

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

– ***Calculation of recoverable amount***

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

– ***Recognition of impairment losses***

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

– **Reversals of impairment losses**

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

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

(p) **Employee benefits**

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

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

(ii) **Defined contribution plans**

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

(iii) **Termination benefits**

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

(iv) **Share-based payment arrangements**

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

(q) **Income tax**

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

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

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

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

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

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

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

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

- in the case of current tax assets and liabilities, the Company and the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(r) Provisions and contingent liabilities

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

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

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

(s) **Revenue and other income**

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

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

(i) ***Interest income***

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

(ii) ***Advisory fee income***

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

(iii) ***Government grants***

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

(t) **Translation of foreign currencies**

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

(u) **Borrowing costs**

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

(v) Related parties

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

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

(w) Segment reporting

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

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

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

2 ACCOUNTING JUDGEMENT AND ESTIMATES

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

- Note 1(i)(ii): classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are SPPI on the principal amount outstanding.
- Note 1(i)(v): establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining methodology for incorporating forward-looking information into measurement of ECL and selection and approval of models used to measure ECL.
- Deferred tax assets arising from deductible temporary differences are recognised to the extent that it is probable that future taxable income will be available against which deductible temporary differences and tax losses can be utilised. The outcome of their actual utilisation may be different.
- The Group uses valuation techniques to estimate the fair value of financial instruments which are not quoted in an active market. These techniques include using recent arm's length market transactions by referring to the current fair value of similar instruments, discounted cash flow analysis. Valuation models established by the Group make maximum use of market input and rely as little as possible on the Group's specific data. The Group reviews the above estimations and assumptions periodically and makes adjustment if necessary.

3 REVENUE

The principal activities of the Group are providing finance lease services, and related advisory services to customers in the PRC. The Group has no lessee for the years ended December 31, 2022 and 2021, with whom transactions have exceeded 10% of the Group's aggregate revenues.

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

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

	<i>Note</i>	2022 RMB'000	2021 <i>RMB'000</i>
Interest income			
– Finance lease receivables		35,489	52,162
– Sale-and-lease back transactions		538,767	487,829
– Intellectual property lease transactions		39,141	1,376
Advisory fee income	<i>(i)</i>		
– Management advisory fee income		38,899	38,968
– Policy advisory fee income		90,850	76,608
		743,146	656,943

Note:

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

4 OTHER NET INCOME

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

Note:

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

5 INTEREST EXPENSE

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

6 OPERATING EXPENSE

Profit before taxation is arrived at after charging:

(a) Staff costs

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

(b) Other items

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

7 IMPAIRMENT LOSSES CHARGED

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

8 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

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

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

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

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

Notes:

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

9 DIRECTORS' AND SUPERVISORS' REMUNERATION

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

	2022					Total RMB'000
	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	
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 (闕巍)	-	-	-	-	-	-
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

2021

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

10 INDIVIDUALS WITH HIGHEST EMOLUMENTS

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

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

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

	2022 Number of individuals	2021 <i>Number of</i> <i>individuals</i>
HKD1,000,001 – HKD1,500,000	3	2
HKD1,500,001 – HKD2,000,000	–	1

11 BASIC AND DILUTED EARNINGS PER SHARE

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

There is no difference between basic and diluted earnings per share as there were no potentially dilutive shares outstanding for the years ended December 31, 2022 and 2021.

Weighted average number of ordinary shares (in thousands)

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

12 OTHER COMPREHENSIVE INCOME

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

13 **PROPERTY AND EQUIPMENT**

	Properties leased for own use carried at cost RMB'000	Electronic equipment RMB'000	Office equipment RMB'000	Others RMB'000	Total RMB'000
Cost					
As at January 1, 2021	30,482	3,347	1,002	1,447	36,278
Additions	43,123	712	156	539	44,530
Disposals	<u>(23,404)</u>	<u>(83)</u>	<u>(6)</u>	<u>(827)</u>	<u>(24,320)</u>
As at December 31, 2021/January 1, 2022	<u>50,201</u>	<u>3,976</u>	<u>1,152</u>	<u>1,159</u>	<u>56,488</u>
Additions	5,489	2,905	6	–	8,400
Disposals	<u>–</u>	<u>(141)</u>	<u>(196)</u>	<u>–</u>	<u>(337)</u>
As at December 31, 2022	<u>55,690</u>	<u>6,740</u>	<u>962</u>	<u>1,159</u>	<u>64,551</u>
Accumulated depreciation					
As at January 1, 2021	(20,368)	(1,375)	(624)	(874)	(23,241)
Charge for the year	(14,105)	(536)	(122)	(482)	(15,245)
Written back on disposals	<u>23,404</u>	<u>26</u>	<u>6</u>	<u>827</u>	<u>24,263</u>
As at December 31, 2021/January 1, 2022	<u>(11,069)</u>	<u>(1,885)</u>	<u>(740)</u>	<u>(529)</u>	<u>(14,223)</u>
Charge for the year	(13,050)	(606)	(120)	(457)	(14,233)
Written back on disposals	<u>–</u>	<u>83</u>	<u>172</u>	<u>–</u>	<u>255</u>
As at December 31, 2022	<u>(24,119)</u>	<u>(2,408)</u>	<u>(688)</u>	<u>(986)</u>	<u>(28,201)</u>
Net carrying amount					
As at December 31, 2022	<u>31,571</u>	<u>4,332</u>	<u>274</u>	<u>173</u>	<u>36,350</u>
As at December 31, 2021	<u>39,132</u>	<u>2,091</u>	<u>412</u>	<u>630</u>	<u>42,265</u>

14 INTANGIBLE ASSETS

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

Intangible assets mainly represent software.

15 LOANS AND RECEIVABLES

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

Note:

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

Analysis for reporting purpose as:

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

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

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

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

Lessees' deposits are calculated and collected based on a certain percentage of the entire value of the lease contract. The deposits are returned to the lessees in full by end of lease period according to the terms of the lease contracts. The balance of the customers' deposits can also be applied and used to settle any outstanding lease payments for the corresponding lease contracts. As at December 31, 2022, the lessees' deposits of RMB1,209.3 million were pledged for related loans and receivables (December 31, 2021: RMB1,076.0 million), see Note 22.

(a) **Present value of minimum finance lease receivables:**

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

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

	<u>December 31, 2022</u>			
	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	<u>(33,862)</u>	<u>(524)</u>	<u>(250,286)</u>	<u>(284,672)</u>
Carrying amount of loans and receivables	<u><u>9,530,810</u></u>	<u><u>33,503</u></u>	<u><u>255,339</u></u>	<u><u>9,819,652</u></u>
	<u>December 31, 2021</u>			
	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit-impaired	Total
Net amount of loans and receivables	8,312,446	2,719	393,093	8,708,258
Less: Allowances for impairment losses	<u>(44,075)</u>	<u>(28)</u>	<u>(191,323)</u>	<u>(235,426)</u>
Carrying amount of loans and receivables	<u><u>8,268,371</u></u>	<u><u>2,691</u></u>	<u><u>201,770</u></u>	<u><u>8,472,832</u></u>

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

	December 31, 2022			Total
	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit-impaired	
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	<u>33,862</u>	<u>524</u>	<u>250,286</u>	<u>284,672</u>
	December 31, 2021			Total
	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit-impaired	
Balance at January 1, 2021	35,826	1,989	144,539	182,354
Transfer:				
– to lifetime ECL not credit-impaired	(18)	18	–	–
– to lifetime ECL credit-impaired	(23)	(1,965)	1,988	–
Charge	8,290	(14)	44,796	53,072
Balance at December 31, 2021	<u>44,075</u>	<u>28</u>	<u>191,323</u>	<u>235,426</u>

16 FINANCIAL ASSETS AT FVOCI

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

Notes:

- (i) The unlisted equity securities are shares in Beijing Zhongguancun Synergetic Innovation Investment Fund Management Co., Ltd. (北京中關村協同創新投資基金管理有限公司), a company established in the PRC and engaged in investment management. The Group designated this investment at FVOCI (non-recycling), as the investment is held for strategic purposes. Dividends of RMB0.2 million were received on this investment in 2022 (2021: RMB0.3 million).

17 INTEREST IN ASSOCIATES

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

Name of associate	Form of business structure	Place of incorporation and business	Particulars of issued and paid up capital	Proportion of ownership interest		
				Group's effective interest	Held by the Company	Principal activity
Beijing Zhongnuo Tongchuang Investment Fund Management Co., Ltd. (北京中諾同創投資基金管理有限公司, "Beijing Zhongnuo")	Incorporated	PRC	RMB3.0 million	39%	39%	Investment management
Jiangsu Zhongguancun Zhongnuo Xietong Investment Fund (Limited Partnership) (江蘇中關村中諾協同投資基金合夥企業(有限合夥), "Jiangsu Zhongnuo")	Partnership	PRC	RMB152.0 million	49%	49%	Investment management
Beijing Zhongnuo Foresight Innovation Investment Fund Center (Limited Partnership) (北京中諾遠見創新投資基金中心(有限合夥), "Zhongnuo Foresight")	Partnership	PRC	RMB200.4 million	40%	40%	Investment management
Shenzhen Zhongke Zhiyi Industrial Investment Co., Ltd (深圳中科知易產業投資有限公司, "Zhongke Zhiyi")	Incorporated	PRC	RMB2.0 million	35%	35%	Advisory service
Zhongguancun Lingyan (Hangzhou) Private Equity Fund Co., Ltd (中關村領雁(杭州)私募基金有限公司), "Lingyan (Hangzhou)"	Incorporated	PRC	RMB2.0 million	35%	35%	Advisory service
Zhongguancun Huizhi (Suzhou) Enterprise Management Co., Ltd (中關村匯志(蘇州)企業管理有限公司), "Huizhi (Suzhou)"	Incorporated	PRC	RMB0.7 million	35%	35%	Advisory service

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

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

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

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

Aggregate information of associates that are not individually material:

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

18 OTHER ASSETS

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

19 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Income tax payable

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

(b) The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements for the years ended December 31, 2022 and 2021 are as follows:

Deferred tax arising from:	Revaluation of FVOCI <i>RMB'000</i>	Revaluation of FVTPL <i>RMB'000</i>	Revenue with EIT paid in prior years <i>RMB'000</i>	Revaluation of Equity Investments <i>RMB'000</i>	Allowance for impairment losses <i>RMB'000</i>	Accrued staff costs <i>RMB'000</i>	Total <i>RMB'000</i>
January 1, 2021	(2,130)	-	3,068	-	45,613	6,673	53,224
Charged to profit or loss	-	-	5,805	(4,850)	13,251	(676)	13,530
Charged to other comprehensive income	<u>(116)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(116)</u>
December 31, 2021/January 1, 2022	(2,246)	-	8,873	(4,850)	58,864	5,997	66,638
Charged to profit or loss	-	(153)	542	(3,424)	12,395	(77)	9,283
Charged to other comprehensive income	<u>(78)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(78)</u>
December 31, 2022	<u>(2,324)</u>	<u>(153)</u>	<u>9,415</u>	<u>(8,274)</u>	<u>71,259</u>	<u>5,920</u>	<u>75,843</u>

20 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	December 31, 2022 <i>RMB'000</i>	December 31, 2021 <i>RMB'000</i>
Deposits with banks	<u>634,987</u>	<u>650,163</u>
Cash and cash equivalents	<u>634,987</u>	<u>650,163</u>

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

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

	Borrowings <i>RMB'000</i>	Lease liabilities <i>RMB'000</i>	Interest payable <i>RMB'000</i>	Total <i>RMB'000</i>
As at 1 January 2021	4,153,046	5,994	25,155	4,184,195
Changes from financing cash flows:				
Capital element of lease rentals paid	–	(9,175)	–	(9,175)
Proceeds from borrowings	5,703,456	–	–	5,703,456
Repayment of borrowings	(4,479,681)	–	–	(4,479,681)
Interest element of lease rentals paid	–	(1,206)	–	(1,206)
Interest paid	–	–	(194,932)	(194,932)
Other borrowing costs paid	(16,342)	–	–	(16,342)
Other changes:				
Increase in lease liabilities from entering into new leases during the year	–	43,665	–	43,665
Interest expense	–	1,206	187,971	189,177
Other borrowing costs	16,342	–	–	16,342
Interest adjustment for asset-backed securities	(5,745)	–	–	(5,745)
As at 31 December 2021	<u>5,371,076</u>	<u>40,484</u>	<u>18,194</u>	<u>5,429,754</u>
	Borrowings <i>RMB'000</i>	Lease liabilities <i>RMB'000</i>	Interest payable <i>RMB'000</i>	Total <i>RMB'000</i>
As at 1 January 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	<u>6,395,235</u>	<u>28,993</u>	<u>22,125</u>	<u>6,446,353</u>

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

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

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

21 BORROWINGS

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

Analysis for reporting purpose as:

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

Notes:

- (i) As at December 31, 2022, loans amounting to RMB2,628.8 million were pledged by loans and receivables (December 31, 2021: RMB2,148.8 million) (see Note 15).
- (ii) On December 27, 2022, the Company issued asset-backed securities with two tranches: senior tranche Class A with principal amount of RMB66.0 million, coupon rate of 4.00% and an expected maturity date on March 20, 2024; senior tranche Class B with principal amount of RMB20.0 million, coupon rate of 4.00% and an expected maturity date on September 20, 2024; junior tranche with principal amount of RMB5.0 million and an expected maturity date on September 20, 2024. The Company holds senior tranche Class A with principal amount of RMB5.8 million, all senior tranche Class B and all junior tranche asset-backed securities.

- (iii) On November 22, 2022, the Company issued asset-backed medium-term notes with two tranches: senior tranche Class A with principal amount of RMB625.0 million, coupon rate of 3.70% and an expected maturity date on November 20, 2024; senior tranche Class B with principal amount of RMB150.0 million, coupon rate of 3.65% and an expected maturity date on February 20, 2025; junior tranche with principal amount of RMB45.0 million and an expected maturity date on February 20, 2025. The Company holds all junior tranche asset-backed notes.
- (iv) 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.
- (v) On August 10, 2022, the Company issued asset-backed securities with two tranches: senior tranche Class A with principal amount of RMB73.0 million, coupon rate of 2.80% and an expected maturity date on June 20, 2023; senior tranche Class B with principal amount of RMB28.0 million, coupon rate of 3.00% and an expected maturity date on December 20, 2023; junior tranche with principal amount of RMB6.0 million and an expected maturity date on December 20, 2023. The Company holds senior tranche Class B with principal amount of RMB14.0 million, and all junior tranche asset-backed securities.
- (vi) On November 26, 2021, the Company issued asset-backed securities with three branches: senior tranche Class A with principal amount of RMB359.0 million, coupon rate of 3.80% and an expected maturity date on August 21, 2023; senior tranche Class B with principal amount of RMB100.0 million, coupon rate of 3.80% and an expected maturity date on February 20, 2024; junior tranche with principal amount of RMB25.0 million and an expected maturity date on August 20, 2024. The Company holds all junior tranche asset-backed securities.
- (vii) On October 26, 2021, the Company issued asset-backed notes with three branches: senior tranche Class A1 with principal amount of RMB540.0 million, coupon rate of 3.80% and an expected maturity date on April 20, 2023; senior tranche Class A2 with principal amount of RMB190.0 million, coupon rate of 4.10% and an expected maturity date on October 20, 2023; senior tranche Class B with principal amount of RMB210.0 million, coupon rate of 3.98% and an expected maturity date on January 20, 2024; junior tranche with principal amount of RMB50.0 million and an expected maturity date on July 20, 2024. The Company holds all junior tranche asset-backed notes.
- (viii) On August 24, 2021 the Company issued asset-backed securities with three branches: 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.
- (ix) On September 9, 2020, the Company issued asset-backed securities with three branches: senior tranche Class A1 with principal amount of RMB300.0 million, coupon rate of 4.10% and an expected maturity date on June 8, 2022; senior tranche Class A2 with principal amount of RMB126.0 million, coupon rate of 4.20% and an expected maturity date on March 8, 2023; senior tranche Class B with principal amount of RMB130.0 million, coupon rate of 4.10% and an expected maturity date on September 8, 2023; junior tranche with principal amount of RMB18.0 million and an expected maturity date on September 8, 2025. The Company holds all junior tranche asset-backed securities.

As at December 31, 2022, the borrowings were repayable as follows:

	2022	2021
	RMB'000	RMB'000
Within one year	3,890,411	2,831,819
After 1 year but within 2 years	1,403,339	2,363,754
After 2 years but within 5 years	1,101,485	175,503
	6,395,235	5,371,076

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

	December 31, 2022	December 31, 2021
Range of interest rates:	2.80%-4.75%	3.79%-5.23%

22 TRADE AND OTHER LIABILITIES

	Note	December 31, 2022 RMB'000	December 31, 2021 RMB'000
Current liabilities			
Notes payable		646,756	528,474
Guaranteed deposits from lessees		347,811	323,245
Accounts payable		134,607	97,483
VAT to be collected in the following period		61,930	58,524
Accrued staff costs	22(c)	28,544	26,122
Interest payable		22,125	18,194
Lease liabilities	22(b)	13,135	12,423
Receipts in advance		3,096	3,785
VAT payable and other tax payable		2,745	1,105
Other payables		2,662	3,875
		<u>1,263,411</u>	<u>1,073,230</u>
Non-current liabilities			
Guaranteed deposits from lessees		861,439	752,715
Deferred revenue		89,909	91,004
Lease liabilities	22(b)	19,468	28,061
VAT to be collected in the following period		45,861	25,330
Accrued staff costs	24(a)	646	952
Provision for credit commitments	22(a)	364	30
		<u>1,017,687</u>	<u>898,092</u>
Total		<u>2,281,098</u>	<u>1,971,322</u>

(a) Provision for credit commitments

	2022			
	12-month ECL RMB'000	Lifetime ECL not credit- impaired RMB'000	Lifetime ECL credit-impaired RMB'000	Total RMB'000
Balance at January 1, 2022	30	-	-	30
Charge	334	-	-	334
Balance at December 31, 2022	<u>364</u>	<u>-</u>	<u>-</u>	<u>364</u>
	2021			
	12-month ECL RMB'000	Lifetime ECL not credit- impaired RMB'000	Lifetime ECL credit-impaired RMB'000	Total RMB'000
Balance at January 1, 2021	98	-	-	98
Reversal	(68)	-	-	(68)
Balance at December 31, 2021	<u>30</u>	<u>-</u>	<u>-</u>	<u>30</u>

(b) **Lease liabilities**

The following table shows the remaining contractual maturities of the Group's lease liabilities at December 31, 2022:

	<u>December 31, 2022</u>		<u>December 31, 2021</u>	
	Present value of the minimum lease payments RMB'000	Total minimum lease payments RMB'000	Present value of the minimum lease payments RMB'000	Total minimum lease payments RMB'000
Within 1 year	13,135	14,363	12,423	14,006
After 1 year but within 2 years	8,830	9,406	11,555	12,645
After 2 years but within 5 years	<u>10,638</u>	<u>10,978</u>	<u>16,506</u>	<u>17,171</u>
	<u>32,603</u>	<u>34,747</u>	<u>40,484</u>	<u>43,822</u>
Less: total future interest expenses		<u>(2,144)</u>		<u>(3,338)</u>
Present value of lease liabilities		<u>32,603</u>		<u>40,484</u>

(c) **Accrued staff costs**

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

23 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

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

	Share capital RMB'000 23(b)	Capital reserve RMB'000 23(c)	Surplus reserve RMB'000 23(d)(i)	Fair value reserve RMB'000 23(d)(ii)	General reserve RMB'000 23(d)(iii)	Retained profits RMB'000	Total equity RMB'000
At January 1, 2021	1,333,334	331,149	29,936	1,610	110,470	108,948	1,915,447
Changes in equity for 2021							
Profit for the year	-	-	-	-	-	196,159	196,159
Other comprehensive income	-	-	-	349	-	-	349
Total comprehensive income	-	-	-	349	-	196,159	196,508
Appropriation to statutory reserve	-	-	19,616	-	-	(19,616)	-
Dividends approved in respect of the previous years	-	-	-	-	-	(58,000)	(58,000)
At December 31, 2021/ January 1, 2022	1,333,334	331,149	49,552	1,959	110,470	227,491	2,053,955
Changes in equity for 2022							
Profit for the year	-	-	-	-	-	226,066	226,066
Other comprehensive income	-	-	-	235	-	-	235
Total comprehensive income	-	-	-	235	-	226,066	226,301
Appropriation to statutory reserve	-	-	22,607	-	-	(22,607)	-
Dividends approved in respect of the previous years	-	-	-	-	-	(60,000)	(60,000)
At December 31, 2022	<u>1,333,334</u>	<u>331,149</u>	<u>72,159</u>	<u>2,194</u>	<u>110,470</u>	<u>370,950</u>	<u>2,220,256</u>

(b) Share capital

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

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

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

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

(c) **Capital reserve**

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

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

(d) **Reserves**

(i) ***Surplus reserve***

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

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

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

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

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

(iii) ***General reserve***

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

(e) **Dividends**

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

According to the proposal of the meeting of board of directors dated March 17, 2023, the profit distributed in cash by the Company to its equity shareholders amounted to RMB80.0 million (2021: RMB60.0 million). The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

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

Final dividend in respect of the previous financial year, approved and paid during the 2022 was RMB60.0 million (2021: RMB58.0 million).

(f) **Capital management**

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

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

24 SHARE-BASED PAYMENT ARRANGEMENTS

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

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

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

	2022	2021
	RMB'000	RMB'000
Total carrying amount of liabilities for SARs	646	952
Total intrinsic value of liabilities for vested benefits	<u>–</u>	<u>–</u>

(b) **Measurement of fair values**

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

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

	2022	2021
Fair value at measurement date (<i>in RMB</i>)	0.06	0.09
Share price (<i>in HKD</i>)	0.7	0.8
Exercise price (<i>in RMB</i>)	1	1
Expected volatility	33.96%	35.39%
Expected life (<i>year</i>)	3.0	4.0
Expected dividends	0%	0%
Risk-free interest rate	4.26%	1.25%

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

(c) **Reconciliation of outstanding SARs**

The number and exercise price of SARs are as follows:

	Number of SARs	Exercise price
Outstanding at January 1, 2022	12,670,000	RMB1
Forfeited during the year	<u>(8,446,667)</u>	<u>RMB1</u>
Outstanding at December 31, 2022	<u>4,223,333</u>	<u>RMB1</u>
Exercisable at December 31, 2022	<u>–</u>	<u>–</u>

The SARs outstanding at December 31, 2022 had an exercise price of RMB1 and a remaining contractual life of 3 years.

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

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

25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

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

(a) **Credit risk**

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

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

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

	December 31, 2022 <i>RMB'000</i>	December 31, 2021 <i>RMB'000</i>
Cash and cash equivalents	634,987	650,163
Pledged and restricted deposits	53,754	19,231
Loans and receivables	10,104,324	8,708,258
Notes and other receivables	<u>8,251</u>	<u>5,523</u>
Total	<u>10,801,316</u>	<u>9,383,175</u>

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

(i) *Loans and receivables credit risk management*

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. As at December 31, 2022, 1.51% of the total net amounts of loans and receivables was due from the Group's largest customer (December 31, 2021: 1.54%), and 5.52% of the total net amounts of loans and receivables was due from the Group's five largest customers (December 31, 2021: 5.75%).

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

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

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

(ii) *Risk limits management and mitigation measures*

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

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

Other specific management and mitigation measures include:

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

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

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

Concentration risk of credit exposure

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

	December 31, 2022		December 31, 2021	
	RMB'000	%	RMB'000	%
Intelligent manufacturing	3,072,905	28%	1,956,225	21%
ECO-solutions	2,762,787	26%	3,033,358	33%
Life sciences & healthcare	1,988,957	18%	1,870,665	20%
Internet-based products & services	1,518,211	14%	1,266,527	13%
Big data	1,326,230	12%	980,000	10%
Others	203,412	2%	281,621	3%
Total	<u>10,872,502</u>	<u>100%</u>	<u>9,388,396</u>	<u>100%</u>

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

	December 31, 2022		December 31, 2021	
	RMB'000	%	RMB'000	%
North China	4,485,957	41%	4,029,551	43%
East China	3,272,153	30%	2,614,658	28%
South China	1,057,926	10%	574,227	6%
Central China	929,621	9%	953,682	10%
Northwest	470,723	4%	516,561	6%
Northeast	401,009	4%	403,847	4%
Southwest	255,113	2%	295,870	3%
Total	<u>10,872,502</u>	<u>100%</u>	<u>9,388,396</u>	<u>100%</u>

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

	December 31, 2022			Total
	Stage 1	Stage 2	Stage 3	
Loans and receivables	0.35%	1.54%	49.50%	2.82%
		December 31, 2021		
	Stage 1	Stage 2	Stage 3	Total
Loans and receivables	0.53%	1.03%	48.67%	2.70%

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

	December 31, 2022 <i>RMB'000</i>	December 31, 2021 <i>RMB'000</i>
12-month ECL balance	9,564,672	8,312,446
Lifetime ECL not credit-impaired balance		
– Not overdue	6,435	2,238
– Less than 1 month (inclusive)	5,438	–
– 1 to 3 months (inclusive)	22,154	481
Lifetime ECL credit-impaired	505,625	393,093
Net amount of loans and receivables	10,104,324	8,708,258
Less: Allowances for impairment losses	(284,672)	(235,426)
Total	9,819,652	8,472,832

(b) Market risk

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

(i) Currency risk

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

The directors consider the Group's exposure to foreign currency risk is not significant for 2022 as the foreign currency balance of the Group at the end of the reporting period is immaterial.

(ii) Interest rate risk

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

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

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

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

The following table illustrates the potential impact of a parallel upward or downward shift of 100 basis points in all financial instruments' yield rate on the Group's retained profits, based on the Group's positions of interest-generating assets and interest-bearing liabilities at the end of at December 31, 2022.

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Retained profits		
+ 100 basis points	11,661	12,743
- 100 basis points	(11,661)	(12,743)

(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 <i>RMB'000</i>	Within 1 month <i>RMB'000</i>	1 to 3 months <i>RMB'000</i>	3 months to 1 year <i>RMB'000</i>	1 to 5 years <i>RMB'000</i>	Total <i>RMB'000</i>
December 31, 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	<u>1,113,729</u>	<u>375,007</u>	<u>1,223,872</u>	<u>4,407,051</u>	<u>4,495,315</u>	<u>11,614,974</u>
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	<u>594</u>	<u>438,736</u>	<u>932,732</u>	<u>3,718,912</u>	<u>3,502,442</u>	<u>8,593,416</u>
Net exposure	<u>1,113,135</u>	<u>(63,729)</u>	<u>291,140</u>	<u>688,139</u>	<u>992,873</u>	<u>3,021,558</u>

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

(d) Fair values

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

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

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

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

	December 31, 2022			
	Level 1	Level 2	Level 3	Total
Financial assets at FVOCI	–	–	12,299	12,299
Financial assets at FVTPL	32,181	–	1,000	33,181
Total	32,181	–	13,299	45,480

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

For the years ended December 31, 2022 and 2021, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Information about Level 3 fair value measurements

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

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

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

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

	2022 RMB'000	2021 RMB'000
Unlisted equity securities:		
At the beginning of the year	12,986	11,521
Payments on acquisition of investments	–	1,000
Net unrealised gains or losses recognised in other comprehensive income during the year	313	465
At the end of the year	13,299	12,986

26 COMMITMENTS AND CONTINGENT LIABILITIES

(a) Credit commitments

The Group's non-cancellable credit commitments are primarily loans and receivables that have been contracted, but not provided for. As at December 31, 2022, the Group's non-cancellable credit commitments amounted to RMB100.0 million (December 31, 2021: RMB5.0 million).

(b) Capital commitments

As at December 31, 2022, the unpaid capital investment against Beijing Zhongnuo (北京中諾), Zhongnuo Foresight (中諾遠見), Zhongke Zhiyi (中科知易), Lingyan (Hangzhou) (領雁(杭州)) and Huizhi (Suzhou) (匯志(蘇州)) was RMB2.3 million, RMB120.0 million, RMB0.7 million, RMB0.7 million and RMB0.7 million (December 31, 2021: RMB3.1 million, nil, nil, nil and nil), respectively. All of the above investees are associates which are accounted for using the equity method in the consolidated financial statements.

27 MATERIAL RELATED PARTY TRANSACTIONS

(a) Name and relationship with related parties

Name of the entities	Relationship
Zhongguancun Development Group Co., Ltd. * (中關村發展集團股份有限公司)	Controlling shareholder
Beijing Zhongguancun Frontier Technology Industry Development Co., Ltd. * (北京中關村前沿技術產業發展有限公司)	A company controlled by the same ultimate controlling party
Beijing Zhongguancun Life Science Park Biomedical Technology Incubation Co., Ltd. * (北京中關村生命科學園生物醫藥科技孵化有限公司)	A company controlled by the same ultimate controlling party
Beijing Zhongguancun Software Park Development Co., Ltd. * (北京中關村軟件園發展有限責任公司)	A company controlled by the same ultimate controlling party
Beijing Zhongguancun Technology Service Co., Ltd * (北京中關村科技服務有限公司)	A company controlled by the same controlling shareholder
Beijing Pioneer Precision Medical and Health Industry Investment Co., Ltd. * (北京領創精準醫療健康產業投資有限公司)	A company significantly impacted by the controlling shareholder
Beijing Zhongguancun Technology Financing Guarantee Co.,Ltd. * (北京中關村科技融資擔保有限公司)	A company significantly impacted by the controlling shareholder
Beijing Zhongnuo Tongchuang Investment Fund Management Co., Ltd. * (北京中諾同創投資基金管理有限公司)	An associate of the Company
Shenzhen Zhongke Zhiyi Industrial Investment Co., Ltd * (深圳中科知易產業投資有限公司)	An associate of the Company
Zhongguancun Huizhi (Suzhou) Enterprise Management Co., Ltd * (中關村匯志(蘇州)企業管理有限公司)	An associate of the Company
Zhongguancun Lingyan (Hangzhou) Private Equity Fund Co., Ltd * (中關村領雁(杭州)私募基金有限公司)	An associate of the Company

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

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Trade related		
Repayment of loans and receivables from a related party	639	3,957
Interest income from loans and receivables to a related party	9	167
Non-trade related		
Borrowing related		
Borrowings from a related party	1,100,000	1,200,000
Repayment of borrowings from a related party	1,000,000	1,100,000
Interest expenses arising from borrowings from related parties	17,230	41,816
Lending related		
Decrease of lease prepayment to a related party	–	3,123
Increase of lease prepayment to a related party	3,388	–
Guarantee related		
Increase of guarantees from a related party	255,659	189,857
Payment of guarantee fee to a related party	2,420	1,034
Others		
Payment for the lease of house rental, property management and parking fee to a related party	13,796	9,932
Other income from a related party	4,260	2,575
Payment of other receivables of related parties	3,875	1,136
Increase of deposits for rental	221	433

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

	<i>Note</i>	December 31, 2022 <i>RMB'000</i>	December 31, 2021 <i>RMB'000</i>
Trade related			
Security deposits payable to a related party		–	912
Loans and receivables from a related party		–	630
Non-trade related			
Borrowing related			
Borrowings payable to a related party	(i)	1,000,000	900,000
Interest payable to a related party	(ii)	1,436	1,304
Lending related			
Lease prepayment to a related party		3,388	–
Guarantee related			
Balance of guarantees received from a related party		796,984	541,325
Others			
Deposits for rental	(iii)	3,329	3,107
Other receivables from a related party		4,516	1
Payable to a related party		32,481	–

Notes:

- (i) As at December 31, 2022, this represents long-term borrowings from Zhongguancun Development Group Co., Ltd., which will be due within three years.
- (ii) As at December 31, 2022, this represents interest payable to Zhongguancun Development Group Co., Ltd., which will be due within one year.
- (iii) As at December 31, 2022, this represents deposits for rental to Zhongguancun Development Group Co., Ltd. and Beijing Zhongguancun Technology Service Co., Ltd., which will be due within three years and five years, respectively.

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Key management personnel remuneration	8,422	8,679

28 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	December 31, 2022 <i>RMB'000</i>	December 31, 2021 <i>RMB'000</i>
Non-current assets		
Property and equipment	36,350	42,265
Intangible assets	15,829	13,574
Loans and receivables	4,222,292	3,778,745
Financial assets at fair value through other comprehensive income	12,299	11,986
Financial assets at fair value through profit and loss	33,181	1,000
Interest in associates	190,689	116,219
Other assets	267	634
Deferred tax assets	75,843	66,638
	<u>4,586,750</u>	<u>4,031,061</u>
Current assets		
Loans and receivables	5,597,360	4,694,087
Other assets	56,126	34,081
Pledged and restricted deposits	39,514	18,183
Cash and cash equivalents	634,987	650,163
	<u>6,327,987</u>	<u>5,396,514</u>
Current liabilities		
Borrowings	3,890,411	2,831,819
Income tax payable	18,142	32,144
Trade and other liabilities	1,263,417	1,072,308
	<u>5,171,970</u>	<u>3,936,271</u>
Net current assets	<u>1,156,017</u>	<u>1,460,243</u>
Total assets less current liabilities	<u>5,742,767</u>	<u>5,491,304</u>
Non-current liabilities		
Borrowings	2,504,824	2,539,257
Trade and other liabilities	1,017,687	898,092
	<u>3,522,511</u>	<u>3,437,349</u>
NET ASSETS	<u>2,220,256</u>	<u>2,053,955</u>
CAPITAL AND RESERVES		
Share capital	1,333,334	1,333,334
Reserves	886,922	720,621
TOTAL EQUITY	<u>2,220,256</u>	<u>2,053,955</u>

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

29 CONSOLIDATED STRUCTURED ENTITIES

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

As at December 31, 2022, the number of consolidated structured entities of the Group was eight (December 31, 2021: five). As at December 31, 2022, the total assets of the consolidated structured entities amounted to RMB2,724.6 million (December 31, 2021: RMB2,394.5 million).

30 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

(a) The profit distribution plan

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

(b) Change of immediate parent

On September 23, 2022, Beijing Zhongguancun Development Group Co., Ltd (中關村發展集團股份有限公司) ("ZGC Group") had reached a share transfer arrangement with Beijing Zhongguancun Finance Group Co., Ltd. (北京中關村科技創業金融服務集團有限公司) ("ZGC Finance", a wholly-owned subsidiary of ZGC Group) to transfer its 600 million domestic shares of the Company (representing 45% of the total issued share capital of the Company) to ZGC Finance.

Upon completion of the transfer on January 18, 2023, ZGC Group indirectly hold 48% of the company's issued share capital through ZGC Finance.

31 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At December 31, 2022, the directors consider the immediate parent and ultimate controlling party of the Group to be ZGC Group.

32 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED DECEMBER 31, 2022

Up to the date of issue of these financial statements, the IASB has issued a number of new or amended standards, which are not yet effective for the year ended 31 December 2022 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the group.

	Effective for accounting periods beginning on or after
IFRS 17, Insurance contracts	January 1, 2023
Amendments to IAS 1, <i>Presentation of financial statements: Classification of liabilities as current or non-current</i>	January 1, 2023
Amendments to IAS 1, <i>Presentation of financial statements and IFRS Practice Statement 2, Making materiality judgements: Disclosure of accounting policies</i>	January 1, 2023
Amendments to IAS 8, <i>Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates</i>	January 1, 2023
Amendments to IAS 12, <i>Income taxes: Deferred tax related to assets and liabilities arising from a single transaction</i>	January 1, 2023
Amendments to IFRS 16, <i>Lease liability in a sale and leaseback</i>	January 1, 2024
Amendments to IAS 1 (2022), <i>Non-current liabilities with covenants</i>	January 1, 2024

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

Notes:

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

	As of December 31,				
	2022	2021	2020	2019	2018
	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000
Assets and liabilities					
Total assets	10,914,895	9,428,623	8,165,054	6,988,985	5,968,956
Net amount of finance lease receivables	9,819,652	8,472,832	7,382,156	6,424,127	5,376,794
Total liabilities	8,694,475	7,374,542	6,249,239	5,596,729	4,681,195
Interest-bearing bank and other financing	6,396,235	5,371,076	4,153,046	4,158,382	3,319,747
Total equity	2,220,420	2,054,081	1,915,815	1,392,256	1,287,761
Net assets per share (in RMB)	1.67	1.54	1.44	1.39	1.29
Financial assets and liabilities⁽¹⁾					
Financial assets	11,614,974	10,076,299	8,766,671	7,436,344	6,332,819
Financial liabilities	8,593,416	7,285,484	6,212,404	5,614,668	4,610,932
Financial Indicators					
Liability to asset ratio ⁽²⁾	79.7%	78.2%	76.5%	80.1%	78.4%
Risk asset to equity ratio ⁽³⁾	460.6%	426.4%	397.4%	480.9%	437.6%
Liquidity ratio ⁽⁴⁾	122.4%	137.1%	104.0%	117.7%	112.2%
Gearing ratio⁽⁵⁾	288.0%	261.5%	216.8%	298.7%	257.8%
Interest-earning asset quality					
NPA ratio ⁽⁶⁾	1.6%	1.5%	1.5%	1.3%	1.3%
Allowance coverage ratio for NPA ⁽⁷⁾	173.7%	175.9%	163.2%	158.0%	151.2%

Notes:

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

1. BUSINESS REVIEW

1.1 *Economic Conditions*

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

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

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

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

1.2 *Company's Response*

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

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

We seized opportunities and made new breakthroughs in regional growth strategies. In 2022, the Company took solid steps in regional growth strategies. The Company successfully established three regional joint-stock companies in Shenzhen, Hangzhou and Suzhou, and formed the initial business expansion strategy and operation management process. With the support of the Company, all regional companies fully leveraged their regional local resources to build customer acquisition channels and invested nearly RMB7,500 million in the financial leasing business, helping the Company rapidly expand its customer base and tap into more science and technology innovation enterprise customers of high growth.

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

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

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

2. ANALYSIS OF PROFIT OR LOSS

2.1 Overview

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

2.2 Revenue

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

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

	For the year ended December 31,				Changes
	2022		2021		
	<i>RMB'000</i>	<i>% of total</i>	<i>RMB'000</i>	<i>% of total</i>	
Interest income	613,397	82.5%	541,367	82.4%	13.3%
Advisory fee income	129,749	17.5%	115,576	17.6%	12.3%
Total revenue	<u>743,146</u>	<u>100.0%</u>	<u>656,943</u>	<u>100.0%</u>	13.1%

The Group’s customers are mainly concentrated in five technology and new economy industries: big data, eco-solutions, life sciences & healthcare, intelligent manufacturing and internet-based products & services. In 2022, the Group continued to cultivate technology and new economy industries, and optimize the asset structure. In 2022, the revenue of intelligent manufacturing increased by 47.8% compared with the last year.

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

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

In 2022, a significant portion of the revenue was generated from the northern region of China, and other regional businesses were also steadily expanded. While further strengthening the customer base in the Beijing-Tianjin-Hebei Integrated Area, the Group has gradually penetrated its business into other regions that nursed and nurtured a growing number of Chinese technology and new economy companies such as the Yangtze River Delta, the Greater Bay Area and the middle reaches of the Yangtze River.

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

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

2.2.1 Interest Income

The interest income of the Group increased by 13.3% from RMB541.4 million in 2021 to RMB613.4 million in 2022, accounting for 82.5% of the total revenue.

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

	For the year ended December 31,					
	2022			2021		
	Average balance of interest-earning assets ⁽¹⁾	Interest income	Average yield of interest-earning assets ⁽²⁾	Average balance of interest-earning assets	Interest income	Average yield of interest-earning assets
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Eco-solutions	2,663,944	187,297	7.0%	2,647,623	174,053	6.6%
Intelligent manufacturing						
Life sciences & healthcare	2,340,146	131,136	5.6%	1,571,242	90,424	5.8%
Life sciences & healthcare	1,799,087	130,484	7.3%	1,612,916	115,558	7.2%
Internet-based products & services	1,302,919	82,667	6.3%	1,165,799	86,887	7.5%
Big data	1,073,576	65,919	6.1%	917,625	59,195	6.5%
Others	226,620	15,894	7.0%	221,180	15,250	6.9%
Total	9,406,291	613,397	6.5%	8,136,385	541,367	6.7%

Notes:

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

Analysis by average balance of interest-earning assets

The average balance of interest-earning assets increased by 15.6% from RMB8,136.4 million in 2021 to RMB9,406.2 million in 2022. Particularly, intelligent manufacturing demonstrated strong growth in the scale, with an increase of 48.9%, as compared to the previous year.

Analysis by average yield of interest-earning assets

In 2022, the average yield of interest-earning assets of the Group was 6.5%, representing a deduction of 0.2 percentage point from 6.7% in the last year. The Group's interest expense yield decreased from 4.1% to 3.9%. In the economic downturn, the Group continued to expand its business, maintain a stable profit level and benefit the real economy, showing the Group's mission and responsibility 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 12.3% from RMB115.6 million in 2021 to RMB129.7 million in 2022, accounting for 17.5% of the total revenue.

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

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

	For the year ended December 31,				Changes
	2022		2021		
	RMB'000	% of total	RMB'000	% of total	
Management and business advisory fee income	38,899	30.0%	38,968	33.7%	(0.2%)
Policy advisory fee income	<u>90,850</u>	<u>70.0%</u>	<u>76,608</u>	<u>66.3%</u>	18.6%
Total advisory fee income	<u>129,749</u>	<u>100.0%</u>	<u>115,576</u>	<u>100.0%</u>	12.3%

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

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

2.3 Interest Expense

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

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

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

	For the year ended December 31,				Changes
	2022		2021		
	RMB'000	% of total	RMB'000	% of total	
Commercial banks	111,864	41.1%	100,612	40.7%	11.2%
Asset-backed securities	80,607	29.6%	45,543	18.5%	77.0%
Imputed on interest-free guaranteed deposits	61,128	22.4%	57,368	23.3%	6.6%
Borrowings from related parties ⁽¹⁾	17,229	6.3%	41,816	17.0%	(58.8%)
Lease liabilities	1,665	0.6%	1,206	0.5%	38.1%
Total interest expense	<u>272,493</u>	<u>100.0%</u>	<u>246,545</u>	<u>100.0%</u>	10.5%

Note:

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

In 2022, the interest income rate of the Group was 3.9%, representing a decrease of 0.2 percentage point from the previous year, mainly due to the Group's active management of capital position and financing cost, which improved capital utilization efficiency, optimized liability structure, and reasonably and effectively reduced financing cost.

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

	For the year ended December 31,					
	2022			2021		
	Average balance ⁽²⁾ <i>RMB'000</i>	Interest expense <i>RMB'000</i>	Interest expense yield ⁽³⁾	Average balance <i>RMB'000</i>	Interest expense <i>RMB'000</i>	Interest expense yield
Borrowings⁽¹⁾						
Commercial banks	2,732,966	111,863	4.1%	2,377,061	100,612	4.2%
Asset-backed securities	2,238,773	80,607	3.6%	1,222,628	45,543	3.7%
Borrowings from related parties	<u>421,538</u>	<u>17,229</u>	4.1%	<u>980,000</u>	<u>41,816</u>	4.3%
Total borrowings	<u>5,393,277</u>	<u>209,700</u>	3.9%	<u>4,579,689</u>	<u>187,971</u>	4.1%

Notes:

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

2.4 Net Interest Spread and Net Interest Margin

Net interest spread of the Group in 2022 was 2.6%, unchanged from the previous year. The net interest margin of the Group was 3.7%, representing a decrease of 0.1 percentage point from 3.8% in the previous year, mainly because the growth rate of net interest income was slower than the growth rate of the average balance of interest-earning assets.

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

	For the year ended December 31,		
	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>	Changes
Interest income	613,397	541,367	13.3%
Interest expenses	(272,493)	(246,545)	10.5%
Net interest income	340,904	294,822	15.6%
Interest income yield ⁽¹⁾	6.7%	7.0%	(4.3%)
Interest expense yield ⁽²⁾	4.1%	4.4%	(6.8%)
Net interest spread ⁽³⁾	2.6%	2.6%	0.0%
Net interest margin ⁽⁴⁾	3.7%	3.8%	(2.6%)

Notes:

- (1) Calculated by dividing interest income by the monthly average balance of interest-earning assets.
- (2) Calculated by dividing interest expenses by the monthly average balance of interest-bearing liabilities.
- (3) Calculated as the difference between interest income yield and interest expense yield.
- (4) Calculated by dividing net interest income by the average balance of interest-earning assets.

2.5 Other Net Income

In 2022, other net income obtained by the Group was RMB15.3 million.

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

	For the year ended December 31,		
	2022	2021	Changes
	<i>RMB'000</i>	<i>RMB'000</i>	
Government grants	5,426	5,490	(1.2%)
Income from related parties	4,260	2,575	65.4%
Interests from deposits	4,428	5,885	(24.8%)
Investment income	247	281	(12.1%)
Others	981	192	410.9%
Total other net income	15,342	14,423	6.4%

2.6 Operating Expense

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

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

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

2.7 Impairment Losses Charged

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

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

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

Note:

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

2.8 Income Tax Expense

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

2.9 Profit for the Year

The net profit of the Group in 2022 was RMB226.1 million, representing an increase of RMB30.2 million, or a growth rate of 15.4% from 2021. The increase in profit for the year was the combined effect of (i) the increase of 13.1% in the revenue, (ii) the increase of 10.5% in interest expense, which was less than the increase in revenue; and (iii) the Group's leasing-investment linkage business progressed smoothly, and the investment income in associates was RMB15.1 million. For detail of the above changes, please refer to the discussion and analysis in paragraphs headed "2.2 Revenue" and "2.3 Interest Expense" of this section.

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

2.10 Basic Earnings per Share

Basic earnings per share for 2022 amounted to RMB0.17, representing an increase of RMB0.02 from 2021, due to the further enhancement of the Group's profitability in 2022.

3. ANALYSIS OF FINANCIAL POSITION

3.1 Assets (Overview)

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

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

	As of December 31, 2022		As of December 31, 2021		Changes
	RMB'000	% of total	RMB'000	% of total	
Finance lease receivables	9,819,652	90.1%	8,477,832	89.9%	15.9%
Pledged and restricted deposits	53,754	0.5%	19,231	0.2%	179.5%
Cash and cash equivalents	634,987	5.8%	650,163	6.9%	(2.3%)
Trade and other receivables	42,311	0.4%	34,715	0.4%	21.9%
Deferred tax assets	75,843	0.7%	66,647	0.7%	13.8%
Property and equipment	36,350	0.3%	42,265	0.4%	(14.0%)
Interest in associates	190,689	1.7%	116,219	1.2%	64.1%
Financial assets at fair value through other comprehensive income	12,299	0.1%	11,986	0.1%	2.6%
Financial assets at fair value through profit or loss	33,181	0.3%	1,000	0.0%	3,218.1%
Intangible assets	15,829	0.1%	13,574	0.1%	16.6%
Total assets	10,914,895	100.0%	9,428,623	100.0%	15.8%

3.2 Loans and Receivables

In 2022, the Group entered into 581 financial lease contracts with 494 lessees. Driven by the expansion of business scale, our loans and receivables continued to climb. As of December 31, 2022, net amount of loans and receivables of the Group amounted to RMB9,819.7 million, representing a soar of 15.9% as compared to the end of last year.

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

	As of December 31, 2022 RMB'000	As of December 31, 2021 RMB'000	Changes
Gross amount of loans and receivables	10,872,502	9,388,396	15.8%
Less: Unearned finance income	(768,178)	(680,138)	12.9%
Net amount of loans and receivables	10,104,324	8,708,258	16.0%
Less: Allowances for impairment losses	(284,672)	(235,426)	20.9%
Carrying amount of loans and receivables	9,819,652	8,472,832	15.9%

3.2.1 Industry Profile of Loans and Receivables

In 2022, in the face of the market environment of the downturn in the macroeconomic situation, the Group carried out active asset management, adjusted the direction of asset investment based on the industry boom, and the net amount of loans and receivables made steady progress, of which the intelligent manufacturing business division increased by RMB1,024.3 million, representing an increase of 56.0%.

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

	As of December 31, 2022		As of December 31, 2021		Changes
	RMB'000	% of total	RMB'000	% of total	
Intelligent manufacturing	2,852,318	28.2%	1,827,974	21.0%	56.0%
Eco-solutions	2,534,390	25.2%	2,784,498	32.0%	(8.7%)
Life sciences & healthcare	1,863,957	18.4%	1,734,216	19.9%	7.5%
Internet-based products & services	1,420,478	14.1%	1,185,359	13.6%	19.8%
Big data	1,233,345	12.2%	913,807	10.5%	35.0%
Others	190,836	1.9%	262,404	3.0%	(27.3%)
Net amount of loans and receivables	10,104,324	100.0%	8,708,258	100.0%	16.0%

3.2.2 Geographical Region Profile of Loans and Receivables

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

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

3.2.3 Maturity Profile of Loans and Receivables

As of December 31, 2022, 58.0% of the net amount of loans and receivables of the Group as set out in the table above was due not later than one year. As the Group promoted balanced business development, it is expected that the cash inflow from operation will remain stable in the future.

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

	As of December 31, 2022		As of December 31, 2021		Changes
	<i>RMB'000</i>	<i>% of total</i>	<i>RMB'000</i>	<i>% of total</i>	
Maturity					
Not later than 1 year	5,858,002	58.0%	4,917,295	56.4%	19.3%
1 to 2 years	3,136,579	31.0%	2,601,235	29.9%	20.6%
2 to 3 years	918,325	9.1%	1,042,837	12.0%	(11.9%)
Over 3 years	191,418	1.9%	151,891	1.7%	26.0%
Net amount of loans and receivables	<u>10,104,324</u>	<u>100.0%</u>	<u>8,713,258</u>	<u>100.0%</u>	16.0%

3.2.4 Asset Quality of Loans and Receivables

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

Loans and Receivables Classification

1. Normal. The lessee is able to perform and has been performing its obligations under the finance lease agreement, and we have no reason to doubt our ability to recover the full amount of the lease receivable. Lease payments related to loans and receivables under this classification have always been on time or overdue for not more than 30 days.
2. Special mention. The lessee is able to perform and has been performing its obligations under the finance lease agreement, but there are adverse factors which may negatively impact our ability to recover the full amount of the lease receivable. Such factors include macro environment, industry policies, management ability of the lessee, credit profile, value of leased assets and lessees' willingness to pay.
3. Sub-standard. The lessee has demonstrated clear difficulties in making full lease payments with its own operating income, and certain losses may still incur even if taken into account the guarantee or the quality of leased assets.
4. Doubtful. The lessee has demonstrated great difficulties in making full lease payments, and significant losses on leased assets are very likely to incur even if taking into account the guarantee or the quality of leased assets.

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

Leased Asset Management Measures

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

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

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

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

During the Reporting Period, the Group continued to strengthen data governance and increase investment and construction of digital infrastructure to consolidate the foundation of data assets. The Group also improved data collection and analysis capabilities to release data value. Based on the historical risk project database, we tapped deep into the characteristics of historical risk projects, explored and expanded information sources, enhanced the internal and external information collection and integration ability, further improved risk identification and early warning and the asset management performance.

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

During the Reporting Period, the Group continuously optimized the overdue project collection and decision-making mechanism, actively expanded new ideas for asset disposal, explored and broadened NPAs disposal channels, and improved overdue handling capabilities. During the Reporting Period, the Group's ability to dispose of NPAs significantly improved.

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

	As of December 31, 2022		As of December 31, 2021		Changes
	RMB'000	% of total	RMB'000	% of total	
Normal	9,564,672	94.6%	8,264,776	94.9%	15.7%
Special mention	375,778	3.7%	309,661	3.6%	21.4%
Sub-standard	78,302	0.8%	62,335	0.7%	25.6%
Doubtful	16,578	0.2%	11,349	0.1%	46.1%
Loss	68,994	0.7%	60,137	0.7%	14.7%
Net amount of finance lease receivables	10,104,324	100.0%	8,708,258	100.0%	16.0%
NPAs	163,874		111,725		
NPAs ratio	1.6%		1.5%		

In 2022, the Group continued to adhere to prudent risk management, practiced strict risk monitoring and management throughout the chain, and enhanced the core competitiveness of serving technology and new economy industries. By practicing accurate identification, strict control and efficient resolution of various risks, the Group's overall asset quality continued to be optimized and the NPAs ratio remained stable. By the end of 2022, the proportion of normal assets of the Group was 94.6%, a decrease of 0.3 percentage points compared with the beginning of the year. The NPAs ratio was 1.6%, an increase of 0.1 percentage points compared with the beginning of the year.

As of December 31, 2022, the assets under special mention accounted for 3.7%, representing an increase of 0.1 percentage point from 3.6% as of December 31, 2021. This was mainly due to the Group's continuous improvement of risk warning, monitoring and response capabilities during the Reporting Period.

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

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

The assets under special mention in the eco-solutions industry accounted for 21.6% of the total assets under special mention in 2022, an increase of 14.0% from the previous year. Mainly due to the normalization of the epidemic, some customers have already advanced or carried out the implementation of projects. However, some customers have certain operating pressures during the transition period. The Group has prudently adjusted some of the assets in this segment to special-mentioned assets.

The assets under special mention in the life sciences & healthcare industry accounted for 11.1% of the total assets under special mention in 2022, a significant decrease of 1,294.8% from the previous year. The main reason is that in 2022, the offline operation scenarios of some customers in the life sciences & healthcare industry are affected by the normalization of the epidemic and the operation order is affected, which leads to certain operating pressure of some customers. The Group has prudently adjusted some of the assets in this sector to special mention assets.

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

	As of December 31, 2022		As of December 31, 2021		Changes
	RMB'000	% of total	RMB'000	% of total	
Big data	66,937	40.9%	69,900	52.2%	(4.2%)
Eco-solutions	29,627	18.1%	34,718	25.9%	(14.7%)
Internet-based products & services	17,852	10.9%	15,063	11.3%	18.5%
Intelligent manufacturing	43,406	26.5%	4,973	3.7%	772.8%
Life sciences & healthcare	3,357	2.0%	4,947	3.7%	(32.1%)
Others	2,695	1.6%	4,220	3.2%	(36.1%)
Total NPAs	163,874	100.0%	133,821	100.0%	22.5%

In 2022, the NPAs of big data industry accounted for 40.9% of the total NPAs, a decrease of 4.2% over the previous year, mainly distributed in the subdivided fields of communication infrastructure and Internet operation services. Due to the impact of changes in policies, technology and market competition pattern in subdivided industries, the operation of individual customers was in trouble and the return of funds was difficult. The Group prudently classifies the assets of this sector as NPAs.

The NPAs in the eco-solution industry accounted for 18.1% of the total NPAs in 2022, a decrease of 14.7% over the previous year. With the increase of the Group’s overdue processing, the non-performing exposure of this sector has been reduced compared with the beginning of the year. The non-performing projects are all existing projects in the past, and the new projects in this year have performed well, and the industry as a whole has developed soundly.

The NPAs in the internet-based products & services industry accounted for 10.9% of the total NPAs in 2022, an increase of 18.5% over the previous year. Mainly due to the heavy dependence on offline consumption scenarios for the performance of individual customers, production and operation are facing stagnation. The Group prudently classifies the assets of this segment as NPAs.

3.2.5 Impairment and Allowances for Loans and Receivables

The Group adopts accounting standards for financial instruments and applies the expected credit loss (“ECL”) model. The allowances for interest-earning assets of the Group increased by RMB49.3 million from RMB235.4 million as of December 31, 2021 to RMB284.7 million as of December 31, 2022.

As of December 31, 2022, ratio of allowances for impairment losses to loans and receivables of the Group was 173.7%, which was 2.2 percentage point lower than that as of December 31, 2021. The management of the Group believes that prudent risk management policy is crucial to the sustainable growth of the Company, and therefore the Group strives to maintain a stable ratio of allowances for impairment losses to loans and receivables.

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

	As of December 31, 2022		As of December 31, 2021	
	<i>RMB'000</i>	<i>% of total</i>	<i>RMB'000</i>	<i>% of total</i>
Allowances for NPAs	116,334	40.9%	87,865	37.3%
Allowances for assets under normal and special mention categories	168,339	59.1%	147,561	62.7%
Total allowance for loans and receivables	<u>284,673</u>	<u>100.0%</u>	<u>235,426</u>	<u>100.0%</u>
NPAs	163,874		133,821	
Ratio of allowances for impairment losses to loans and receivables		173.7%	175.9%	

The Group has been closely monitoring the credit quality of finance lease receivables by monitoring their ECL. As of December 31, 2022, ECL rate of financial lease receivables of the Group in stage one, stage two and stage three was 0.4%, 1.5% and 49.5% respectively. Compared with the end of the previous year, the asset structure of the Group has improved significantly. As of December 31, 2022, the assets of the Group in Stage 1 accounted for 94.7%, decreased by 0.8 percentage point compared with the previous year, and the assets of Stage 2 and Stage 3 accounted for 0.3% and 5.0% respectively, increased by 0.3 percentage point and 0.5 percentage point compared with the previous year. At the same time, due to prudential considerations, while the scale of assets in the Stage 3 declined, the Group prudently increased the ECL ratio of the assets of Stage 3 by 0.8% as compared to the previous year and systematically strengthen the risk resistance capacity of its assets.

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

	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL		
	balance	Not	Credit-impaired	Total
	RMB'000	credit-impaired	RMB'000	RMB'000
		RMB'000	RMB'000	
December 31, 2022				
ECL rate%	0.4%	1.5%	49.5%	2.8%
Net amount of loans and receivables	9,564,672	34,027	505,625	10,104,324
Allowance for impairment loss	(33,862)	(524)	(250,286)	(284,672)
Net value of accounts receivable	9,530,810	33,503	255,339	9,819,652
December 31, 2021				
ECL rate%	0.50%	1.00%	48.70%	2.70%
Net amount of loans and receivables	8,317,446	2,719	393,093	8,713,258
Allowance for impairment loss	(44,075)	(28)	(191,323)	(235,426)
Net value of accounts receivable	8,273,371	2,691	201,770	8,477,832

3.3 Others

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

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

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

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

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

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

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

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

3.4 Liabilities (Overview)

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

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

	As of December 31, 2022		As of December 31, 2021		Changes
	RMB'000	% of total	RMB'000	% of total	
Borrowings	6,395,235	73.6%	5,371,076	66.5%	19.1%
Trade and other liabilities	2,281,098	26.2%	1,971,322	33.1%	15.7%
Income tax payable	18,142	0.2%	32,144	0.4%	(43.6%)
Total liabilities	8,694,475	100.0%	7,374,542	100.0%	17.9%

3.5 Borrowings

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

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

In the indirect financing market, the Group obtained the first domestic syndicated loan line in 2022, successfully expanded the cooperative relationship with several foreign banks, and enhanced the brand influence in the interbank market. By the end of 2022, the Group has established long-term and stable cooperative relationship with over 30 commercial banks and planning to establish an in-depth strategic cooperative relationship. Meanwhile, the Group will continue to expand and optimize the channels of diversified financing, including small and medium banks and foreign banks.

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

As of December 31, 2022, the outstanding balance of bank loans was RMB2,797.4 million, accounting for 43.8% of the total borrowings, which was slightly higher as compared to December 31, 2021. The proportion of the balance of borrowings from related parties accounted for 15.6% of the total borrowings, which was slightly lower as compared to December 31, 2021, and the balance of asset-backed securities accounted for 40.6% of the total borrowings, representing a slightly decrease as the previous year. To further expand our funding sources, the Group plans to actively explore financing products such as asset-backed securities and super short-term commercial paper.

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

	As of December 31, 2022		As of December 31, 2021		Changes
	RMB'000	% of total	RMB'000	% of total	
Bank loans	2,797,438	43.8%	2,153,106	40.1%	29.9%
– collateralized	1,628,795	25.5%	1,248,758	23.2%	30.4%
– pledged	1,168,643	18.3%	904,348	29.2%	29.2%
Borrowings from related parties⁽¹⁾					
– pledged	1,000,000	15.6%	900,000	16.8%	11.1%
Asset-backed securities	2,597,797	40.6%	2,317,970	43.1%	12.1%
Total borrowings	<u>6,395,235</u>	<u>100.0%</u>	<u>5,371,076</u>	<u>100.0%</u>	19.1%

Note:

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

As of December 31, 2022, the current proportion of borrowings (including short-term borrowings and portions that are due within one year in long-term borrowings) accounted for 60.8% of total borrowings, representing an increase of 37.4% as compared to December 31, 2021. The Group maintained a sound and reasonable funding structure.

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

	As of December 31, 2022		As of December 31, 2021		Changes
	<i>RMB'000</i>	<i>% of total</i>	<i>RMB'000</i>	<i>% of total</i>	
Current	3,890,411	60.8%	2,831,819	52.7%	37.4%
Non-current	2,504,824	39.2%	2,539,257	47.3%	(1.4%)
Total borrowings	<u>6,395,235</u>	<u>100.0%</u>	<u>5,371,076</u>	<u>100.0%</u>	19.1%

3.6 Trade and Other Liabilities

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

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

3.7 Capital and Reserves

As of December 31, 2022, total equity attributable to equity shareholders of the Group was RMB2,220.4 million, representing an increase of RMB166.3 million or 8.1% as compared to that as at the end of last year.

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

	As of December 31, 2022		As of December 31, 2021		Changes
	<i>RMB'000</i>	<i>% of total</i>	<i>RMB'000</i>	<i>% of total</i>	
Share capital	1,333,334	60.0%	1,333,334	64.9%	0.0%
Reserves	887,086	40.0%	720,747	35.1%	23.1%
Total equity	<u>2,220,420</u>	<u>100.0%</u>	<u>2,054,081</u>	<u>100.0%</u>	8.1%

4. CAPITAL EXPENDITURES

In 2022, the capital expenditure of the Group was RMB92.6 million, primarily including expenditures for external equity investment, upgrading information system regarding business operations and risk management, and purchase of office and electronic equipment.

5. RISK MANAGEMENT

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

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

5.1 Credit Risks

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

Strict Industrial and Regional Customer Access.

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

Scientific Credit Evaluation System.

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

Comprehensive Due Diligence System.

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

Rigorous and Scientific Project Approval Decision.

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

Complete Post-Lease Management System.

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

5.2 Interest Rate Risk

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

- Optimizing the time difference between the maturity dates of interest-earning assets and interest-bearing liabilities and the contract repricing date; and
- Managing the difference between the pricing of interest-earning assets and interest-bearing liabilities and LPR and the benchmark interest rate of the PBOC.

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

	Increase/(decrease) in retained profits	
	As of December 31, 2022 RMB'000	As of December 31, 2021 RMB'000
Changes in basis points		
+100 basis points	11,661	12,743
-100 basis points	(11,661)	(12,743)

5.3 Liquidity Risk

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

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

In 2022, the liquidity position of the Group has been sound. By assessing and monitoring the liquidity situation, the Group allocated financial assets and financial liabilities as a whole to improve its ability to ensure liquidity at a reasonable cost in a timely manner.

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

	Overdue/on demand <i>RMB'000</i>	Within 1 month <i>RMB'000</i>	Within 3 months <i>RMB'000</i>	3 to 12 months <i>RMB'000</i>	1 to 5 years <i>RMB'000</i>	Over 5 years <i>RMB'000</i>	Total <i>RMB'000</i>
As of December 31, 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	1,065,010	(87,290)	292,741	694,945	967,582		2,932,988
As of December 31, 2021							
Total financial assets	1,118,293	286,961	996,510	3,647,230	4,027,305		10,076,299
Total financial liabilities	2,637	178,003	827,628	2,829,947	3,447,269		7,285,484
Net liquidity gap	1,115,656	108,958	168,882	817,283	580,036		2,790,815

5.4 Foreign Currency Risk

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

6. PLEDGE OF GROUP ASSETS

As of December 31, 2022, the Group held loans and receivables of RMB5,905.4 million pledged to secure borrowings, and cash of RMB53.8 million pledged for bank acceptances, factorings and asset-backed securities.

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

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

7. MATERIAL INVESTMENTS, ACQUISITIONS AND DISPOSALS

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

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

8. HUMAN RESOURCES

8.1 Staff and Remuneration

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

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

For the year ended December 31, 2022, the staff costs of the Group amounted to approximately RMB87.6 million (2021: approximately RMB72.0 million).

8.2 Incentive Schemes

We have established and implemented flexible and efficient employee incentive schemes to correlate the remuneration of our employees with their overall performance and contribution to the Group and have established a performance-based remuneration awards system that combines their performance and accomplishment of work targets. Employees of the Group are promoted in terms of positions, seniority, overall performance, as well as professional and administrative classification, with a clear career path. We implement comprehensive performance evaluations and well-directed training programs for all staff every year, in accordance with our business objective obligations and achievement of key objectives. Since the date of incorporation of the Company and as of December 31, 2022, the Group did not adopt any share option scheme.

8.3 *Employee Benefits*

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

8.4 *Employee Training*

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

9. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

9.1 *Contingent Liabilities*

As of December 31, 2022, the Group did not have any material contingent liabilities.

9.2 *Capital Commitments and Credit Commitments*

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

	As of December 31, 2022 RMB'000	As of December 31, 2021 RMB'000
Credit commitments ⁽¹⁾	100,000	5,000
Capital commitments ⁽²⁾	124,440	3,120

Notes:

- (1) The Group's non-cancellable credit commitments were primarily finance leases that have been contracted, but not yet commenced.
- (2) As of December 31, 2022, the contracted capital commitments included the unpaid capital commitment to Beijing Zhongnuo Tongchuang Investment Fund Management Co., Ltd. of RMB2.3 million, Beijing Zhongnuo Yuanjian Innovation Investment Fund (Limited Partnership) of RMB120.0 million and the unpaid capital commitment to Shenzhen Zhongke Zhiyi Industry Investment Co., Ltd., Zhongguancun Lingyan (Hangzhou) Private Fund Co., Ltd. and Zhongguancun Huizhi (Suzhou) Enterprise Management Co., Ltd. of RMB0.7 million respectively.

10. USE OF NET PROCEEDS FROM THE GLOBAL OFFERING

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

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

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

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

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

Use of proceeds	Amounts expected to be utilized as disclosed in the Prospectus			Expected time of use
	(RMB in million)	Utilized amount (RMB in million)	Unutilized amount (RMB in million)	
Expand our business operations	284.0	284.0	–	N/A
Improve our information systems	40.6	23.4	17.3	To be gradually utilized until 2023
Recruit talents	40.6	40.6	–	N/A
Replenish working capital	40.6	40.6	–	N/A

11. BUSINESS OUTLOOK

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

OTHER INFORMATION

1 CORPORATE GOVERNANCE PRACTICES

The Company has adopted the Corporate Governance Code (the “**CG Code**”) as contained in Appendix 14 to the Rules (the “**Listing Rules**”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) as its own code of corporate governance. The Company has committed to maintaining high standards of corporate governance in order to safeguard the interests of the shareholders of the Company (the “**Shareholders**”) and enhance the corporate value and accountability of the Company.

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

2 DIRECTORS' AND SUPERVISORS' SECURITIES TRANSACTIONS

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

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

3 ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the Company (the “**AGM**”) will be held on Friday, June 16, 2023, a notice of which will be published and despatched to the Shareholders in due course.

4 FINAL DIVIDEND

The Board has recommended the payment of a final dividend of RMB0.06 per share (tax inclusive) for the year ended December 31, 2022, totally approximately RMB80 million, to the Shareholders whose names appear on the register of members of the Company on Monday, July 3, 2023. In principle, the payments will be made to holders of Domestic Shares in RMB and to holders of H Shares in HK\$. The proposed final dividend is expected to be paid on or around Tuesday, August 8, 2023, subject to the Shareholders' approval at the forthcoming annual general meeting.

Taxation

Pursuant to the PRC Individual Income Tax Law (《中華人民共和國個人所得稅法》), the Implementation Regulations of the PRC Individual Income Tax Law (《中華人民共和國個人所得稅法實施條例》), the Notice on the Issues Concerning the Collection and Administration of Individual Income Tax Following the Repeal of Guo Shui Fa [1993] No. 45 (Guo Shui Han [2011] No. 348) (《國家稅務總局關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》(國稅函[2011]348號)) and the Announcement of the State Administration of Taxation on Promulgation of the “Administrative Measures on Entitlement of Non-residents to Treatment under Tax Treaties” (Announcement No. 60 [2015] of the State Administration of Taxation) (《國家稅務總局關於發佈〈非居民納稅人享受稅收協定待遇管理辦法〉的公告》(國家稅務總局公告2015年第35號)) and the relevant laws, regulations and regulatory documents, the Company shall, as a withholding agent, withhold and pay individual income tax for the individual holders of H Shares in respect of the proposed final dividend to be distributed to them. Overseas resident individual shareholders of stocks issued by domestic non-foreign investment enterprises in Hong Kong are entitled to the relevant preferential tax treatment pursuant to the provisions in the tax agreements signed between the countries in which they are residents and China, or to the tax arrangements between mainland China and Hong Kong and Macau. Accordingly, 10% of the dividends to be distributed to the individual holders of H Shares are generally withheld as individual income tax unless otherwise specified by the relevant tax laws, regulations and agreements.

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

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

5 CLOSURES OF REGISTER OF MEMBERS

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

For determining the entitlement to attend and vote at the forthcoming annual general meeting, the register of members of the Company will be closed from Monday, June 12, 2023 to Friday, June 16, 2023, both dates inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the forthcoming annual general meeting, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's headquarters and principal place of business in China at Floor 6, Suite 7, Courtyard 2, No. 1 West Third Ring North Road, Haidian District, Beijing, the PRC (for holders of domestic shares) or the Company's H share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for holders of H shares) not later than 4:30 p.m. on Friday, June 9, 2023, for registration.

For determining the entitlement to the proposed final dividend, subject to approval by the Shareholders at the forthcoming annual general meeting, the register of members of the Company will be closed from Tuesday, June 27, 2023 to Monday, July 3, 2023, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's headquarters and principal place of business in China at Floor 6, Suite 7, Courtyard 2, No. 1 West Third Ring North Road, Haidian District, Beijing, the PRC (for holders of domestic shares) or the Company's H share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for holders of H shares) not later than 4:30 p.m. on Monday, June 26, 2023, for registration.

6 AUDIT COMMITTEE

The Company has established the audit committee of the Company (the “**Audit Committee**”) in accordance with Rule 3.21 of the Listing Rules and the CG Code, with terms of reference in writing. The Audit Committee consists of five members, being Mr. CHENG Dongyue, Mr. WU Tak Lung and Ms. LIN Zhen, independent non-executive Directors, Mr. LOU Yixiang and Mr. DU Yunchao, non-executive Directors. The Audit Committee is chaired by Mr. WU Tak Lung who has a professional qualification in accountancy as required by the Listing Rules. Mr. LOU Yixiang ceased to be a member of the Audit Committee with effect from January 19, 2023.

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

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

7 SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

There were no significant events after the year ended 31 December 2022 and up to the date of this announcement.

8 MATERIAL LEGAL, LITIGATION AND ARBITRATION MATTERS

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

9 PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

10 PUBLICATION OF ANNUAL REPORT

This announcement was published on the website of Stock Exchange (www.hkexnews.hk) and on the website of the Company (www.zgclease.com). The 2022 annual report of the Company will be despatched to the Shareholders and published on the websites of Stock Exchange and the Company in due course.

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

By order of the Board
Zhongguancun Science-Tech Leasing Co., Ltd.
HE Rongfeng
Executive Director

Beijing, the PRC, March 17, 2023

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