# 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 INTERIM RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2023

**FINANCIAL HIGHLIGHTS**

- For the six months ended June 30, 2023, the revenue amounted to approximately RMB398.4 million, representing an increase of approximately 9.9% as compared with that of approximately RMB362.6 million for the corresponding period of 2022.
- For the six months ended June 30, 2023, the profit before taxation amounted to approximately RMB174.2 million, representing an increase of approximately 16.6% as compared with that of approximately RMB149.3 million for the corresponding period of 2022.
- For the six months ended June 30, 2023, the profit amounted to approximately RMB131.0 million, representing an increase of approximately 17.1% as compared with that of approximately RMB111.9 million for the corresponding period of 2022.
- As of June 30, 2023, the total assets amounted to approximately RMB11,168.5 million, representing an increase of approximately 2.3% as compared with that of approximately RMB10,914.9 million as of December 31, 2022.
- As of June 30, 2023, the total shareholders' equity amounted to approximately RMB2,271.4 million, representing an increase of approximately 2.3% as compared with that of approximately RMB2,220.4 million as of December 31, 2022.
- For the six months ended June 30, 2023, the return on average equity was 11.7%.
- For the six months ended June 30, 2023, the return on average assets was 2.4%.

## INTERIM 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 unaudited consolidated interim results of the Company and its consolidated structured entities (together, the "**Group**" or "**We**") for the six months ended June 30, 2023 (the "**Reporting Period**") with the comparative figures for the corresponding period or the end of 2022 are as follows:

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*For the six months ended June 30, 2023 – unaudited*
*(Expressed in Renminbi ("**RMB**"))*

| | | **Six months ended June 30,** | |
|---|---|---|---|
| | | **2023** | 2022 |
| | *Note* | ***RMB'000*** | *RMB'000* |
| Interest income | | **330,962** | 299,304 |
| Advisory fee income | | **67,400** | 63,255 |
| **Revenue** | *3* | **398,362** | 362,559 |
| Other net income | *4* | **11,103** | 6,803 |
| Interest expense | *5* | **(143,950)** | (133,176) |
| Operating expense | *6* | **(69,188)** | (58,957) |
| Impairment losses charged | *7* | **(30,004)** | (26,983) |
| Share of gains/(losses) of associates | | **7,830** | (925) |
| Net foreign exchange gains | | **3** | 22 |
| **Profit before taxation** | | **174,156** | 149,343 |
| Income tax expense | *8* | **(43,168)** | (37,489) |
| **Profit for the period** | | **130,988** | 111,854 |
| **Attributable to:** | | | |
| Equity shareholders of the Company | | **130,988** | 111,854 |
| **Profit for the period** | | **130,988** | 111,854 |
| Basic and diluted earnings per share *(in RMB)* | *9* | **0.10** | 0.08 |

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

*For the six months ended June 30, 2023 – unaudited*
*(Expressed in RMB)*

| | Six months ended June 30, | |
|---|---|---|
| | **2023** | 2022 |
| | ***RMB'000*** | *RMB'000* |
| **Profit for the period** | **130,988** | 111,854 |
| **Other comprehensive income for the period** | **–** | – |
| **Total comprehensive income for the period** | **130,988** | 111,854 |
| **Attributable to:** | | |
| Equity shareholders of the Company | **130,988** | 111,854 |
| **Total comprehensive income for the period** | **130,988** | 111,854 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at June 30, 2023 – unaudited*
*(Expressed in RMB)*

| | Note | **June 30, 2023 RMB'000** | December 31, 2022 RMB'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property and equipment | *10* | **28,866** | 36,350 |
| Intangible assets | | **15,866** | 15,829 |
| Loans and receivables | *11* | **4,258,433** | 4,222,292 |
| Financial assets at fair value through other comprehensive income | | **12,299** | 12,299 |
| Financial assets at fair value through profit or loss | | **1,504** | 33,181 |
| Interest in associates | | **188,345** | 190,689 |
| Other assets | *12* | **285** | 267 |
| Deferred tax assets | *13(b)* | **82,219** | 75,843 |
| | | **4,587,817** | 4,586,750 |
| **Current assets** | | | |
| Loans and receivables | *11* | **5,838,279** | 5,597,360 |
| Other assets | *12* | **30,128** | 42,044 |
| Pledged and restricted deposits | | **76,222** | 53,754 |
| Cash and cash equivalents | *14* | **636,012** | 634,987 |
| | | **6,580,641** | 6,328,145 |
| **Current liabilities** | | | |
| Borrowings | *15* | **4,037,064** | 3,890,411 |
| Income tax payable | *13(a)* | **11,081** | 18,142 |
| Trade and other liabilities | *16* | **1,331,759** | 1,263,411 |
| | | **5,379,904** | 5,171,964 |
| **Net current assets** | | **1,200,737** | 1,156,181 |
| **Total assets less current liabilities** | | **5,788,554** | 5,742,931 |

| | Note | **June 30, 2023** *RMB'000* | December 31, 2022 *RMB'000* |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Borrowings | *15* | **2,562,904** | 2,504,824 |
| Trade and other liabilities | *16* | **954,242** | 1,017,687 |
| | | **3,517,146** | 3,522,511 |
| **NET ASSETS** | | **2,271,408** | 2,220,420 |
| **CAPITAL AND RESERVES** | *17* | | |
| Share capital | | **1,333,334** | 1,333,334 |
| Reserves | | **938,074** | 887,086 |
| **Total equity attributable to equity shareholders of the Company** | | **2,271,408** | 2,220,420 |
| **TOTAL EQUITY** | | **2,271,408** | 2,220,420 |

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the six months ended June 30, 2023 – unaudited*
*(Expressed in RMB)*

| | | Attributable to equity shareholders of the Company | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | *Note* | Share capital *RMB'000* | Capital reserve *RMB'000* | Surplus reserve *RMB'000* | Fair value reserve *RMB'000* | General reserve *RMB'000* | Retained profits *RMB'000* | Total equity *RMB'000* |
| **Balance at January 1, 2022** | | 1,333,334 | 331,149 | 49,552 | 1,959 | 110,470 | 227,617 | 2,054,081 |
| **Changes in equity for the six months ended June 30, 2022:** | | | | | | | | |
| Profit for the period | | – | – | – | – | – | 111,854 | 111,854 |
| Total comprehensive income | | – | – | – | – | – | 111,854 | 111,854 |
| Dividends approved in respect of the previous year | *17(d)* | – | – | – | – | – | (60,000) | (60,000) |
| **Balance at June 30, 2022** | | 1,333,334 | 331,149 | 49,552 | 1,959 | 110,470 | 279,471 | 2,105,935 |
| **Changes in equity for the six months ended December 31, 2022** | | | | | | | | |
| Profit for the period | | – | – | – | – | – | 114,250 | 114,250 |
| Other comprehensive income | | – | – | – | 235 | – | – | 235 |
| Total comprehensive income | | – | – | – | 235 | – | 114,250 | 114,485 |
| Appropriation to statutory reserve | *17(c)(i)* | – | – | 22,607 | – | – | (22,607) | – |
| **Balance at December 31, 2022** | | 1,333,334 | 331,149 | 72,159 | 2,194 | 110,470 | 371,114 | 2,220,420 |

| | Note | Attributable to equity shareholders of the Company | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | Share capital | Capital reserve | Surplus reserve | Fair value reserve | General reserve | Retained profits | Total equity |
| | | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Balance at January 1, 2023** | | **1,333,334** | **331,149** | **72,159** | **2,194** | **110,470** | **371,114** | **2,220,420** |
| **Changes in equity for the six months ended June 30, 2023:** | | | | | | | | |
| Profit for the period | | – | – | – | – | – | **130,988** | **130,988** |
| Total comprehensive income | | – | – | – | – | – | **130,988** | **130,988** |
| Dividends approved in respect of the previous year | *17(d)* | – | – | – | – | – | **(80,000)** | **(80,000)** |
| **Balance at June 30, 2023** | | **1,333,334** | **331,149** | **72,159** | **2,194** | **110,470** | **422,102** | **2,271,408** |

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

*For the six months ended June 30, 2023 – unaudited*

*(Expressed in RMB)*

| | | Six months ended June 30, | |
|---|---|---|---|
| | | **2023** | 2022 |
| | *Note* | ***RMB'000*** | *RMB'000* |
| **Operating activities** | | | |
| Cash (used in)/generated from operations | | **(59,430)** | 289,681 |
| PRC income taxes paid | *13(a)* | **(56,605)** | (57,696) |
| **Net cash (used in)/generated from operating activities** | | **(116,035)** | 231,985 |
| **Investing activities** | | | |
| Proceeds from disposal and redemption of investments | | **47,390** | 9,800 |
| Payment for purchase of equipment and intangible assets | | **(1,576)** | (1,584) |
| Payments on acquisition of investments | | **–** | (780) |
| **Net cash generated from investing activities** | | **45,814** | 7,436 |
| **Financing activities** | | | |
| Proceeds from borrowings | | **3,777,519** | 1,933,246 |
| Repayment of borrowings | | **(3,571,343)** | (2,237,839) |
| Interest paid | | **(113,295)** | (99,864) |
| Capital element of lease rentals paid | | **(5,937)** | (9,556) |
| Interest element of lease rentals paid | | **(694)** | (874) |
| Other borrowing costs paid | | **(15,007)** | (4,658) |
| **Net cash generated from/(used in) financing activities** | | **71,243** | (419,545) |
| **Net increase/(decrease) in cash and cash equivalents** | | **1,022** | (180,124) |
| **Cash and cash equivalents at January 1** | | **634,987** | 650,163 |
| **Effect of foreign exchanges rates changes** | | **3** | 22 |
| **Cash and cash equivalents at June 30** | *14* | **636,012** | 470,061 |

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

*(Expressed in RMB unless otherwise indicated)*

## 1 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard ("**IAS**") 34, *Interim financial reporting*, issued by the International Accounting Standards Board (the "**IASB**"). It was authorised for issue on August 18, 2023.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2022 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2023 annual financial statements. Details of any changes in accounting policies are set out in Note 2.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2022 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards ("**IFRSs**").

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants.

## 2 CHANGES IN ACCOUNTING POLICIES

The IASB has issued the following amendments to IFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- Amendments to IAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*
- Amendments to IAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*

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

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

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

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

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

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

The impact of amendments to IAS 12 on the deferred tax is set out in Note 13(b). This change in accounting policy did not have any material impact on the cash flows and earnings per share.

## 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 six months ended June 30, 2023 and 2022, with whom transactions have exceeded 10% of the Group's aggregate revenues.

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

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

| | | **Six months ended June 30,** | |
|---|---|---|---|
| | | **2023** | 2022 |
| | *Note* | ***RMB'000*** | *RMB'000* |
| Interest income | | | |
| – Finance lease receivables | | **23,043** | 16,734 |
| – Sale-and-leaseback transactions | | **276,908** | 270,330 |
| – Intellectual property lease transactions | | **31,011** | 12,240 |
| Advisory fee income | *(i)* | | |
| – Management advisory fee income | | **19,200** | 18,986 |
| – Policy advisory fee income | | **48,200** | 44,269 |
| | | **398,362** | 362,559 |

*Note:*

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

## 4 OTHER NET INCOME

| | Note | Six months ended June 30, 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|---|
| Investment income | | **4,713** | 247 |
| Value-added tax (VAT) additional deduction | | **2,668** | – |
| Interest from deposits | | **2,311** | 2,234 |
| Government grants | *(i)* | **437** | 4,033 |
| Others | | **974** | 289 |
| | | **11,103** | 6,803 |

*Note:*

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

## 5 INTEREST EXPENSE

| | Six months ended June 30, 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|
| Borrowings | **99,466** | 87,746 |
| Borrowings from a related party | **16,078** | 14,379 |
| Imputed interest expense on interest-free guaranteed deposits from lessees | **27,712** | 29,942 |
| Interest expense on lease liabilities | **694** | 1,109 |
| | **143,950** | 133,176 |

## 6 OPERATING EXPENSE

Profit before taxation is arrived at after charging:

### (a) Staff costs

| | Six months ended June 30, 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|
| Salaries, bonuses and allowances | **26,259** | 22,316 |
| Social insurance and other benefits | **10,641** | 9,576 |
| Cash-settled share-based payments | **186** | 663 |
| Subtotal | **37,086** | 32,555 |

(b) **Other items**

| | Six months ended June 30, | |
|---|---|---|
| | **2023** | 2022 |
| | ***RMB'000*** | *RMB'000* |
| Depreciation charge | | |
| – owned equipment | **671** | 371 |
| – right-of-use assets | **6,756** | 6,439 |
| Amortisation cost of | | |
| – intangible assets | **995** | 2,216 |
| – others | **201** | 184 |
| Other rental expenses | **900** | 838 |

## 7 IMPAIRMENT LOSSES CHARGED

| | | Six months ended June 30, | |
|---|---|---|---|
| | | **2023** | 2022 |
| | *Note* | ***RMB'000*** | *RMB'000* |
| Loans and receivables | *11(c)* | **30,004** | 26,785 |
| Credit commitments | | **–** | 198 |
| | | **30,004** | 26,983 |

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

| | | Six months ended June 30, | |
|---|---|---|---|
| | | **2023** | 2022 |
| | *Note* | ***RMB'000*** | *RMB'000* |
| **Current tax** | | | |
| – PRC Enterprise Income Tax ("**EIT**") Provision for the period | | **49,544** | 37,938 |
| **Deferred income tax** | | | |
| – Origination of temporary differences | *13(b)* | **(6,376)** | (449) |
| | | **43,168** | 37,489 |

*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 BASIC AND DILUTED EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of RMB131.0 million (six months ended June 30, 2022: RMB111.9 million) and the weighted average of 1,333.3 million ordinary shares (six months ended June 30, 2022: 1,333.3 million) in issue during the interim period.

There is no difference between basic and diluted earnings per share as there were no potentially dilutive shares outstanding for the six months ended June 30, 2023 and 2022.

## 10 PROPERTY AND EQUIPMENT

| | Properties leased for own use carried at cost | Electronic equipment | Office equipment | Others | Total |
|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Cost** | | | | | |
| As at January 1, 2022 | 50,201 | 3,976 | 1,152 | 1,159 | 56,488 |
| Additions | 5,489 | 2,905 | 6 | – | 8,400 |
| Disposals | – | (141) | (196) | – | (337) |
| As at December 31, 2022/ January 1, 2023 | 55,690 | 6,740 | 962 | 1,159 | 64,551 |
| Additions | – | 613 | 13 | 239 | 865 |
| Disposals | (10,449) | (158) | (63) | (1,042) | (11,712) |
| As at June 30, 2023 | 45,241 | 7,195 | 912 | 356 | 53,704 |
| **Accumulated depreciation** | | | | | |
| As at January 1, 2022 | (11,069) | (1,885) | (740) | (529) | (14,223) |
| Charge for the year | (13,050) | (606) | (120) | (457) | (14,233) |
| Written back on disposals | – | 83 | 172 | – | 255 |
| As at December 31, 2022/ January 1, 2023 | (24,119) | (2,408) | (688) | (986) | (28,201) |
| Charge for the period | (6,587) | (604) | (56) | (180) | (7,427) |
| Written back on disposals | 9,540 | 150 | 58 | 1,042 | 10,790 |
| As at June 30, 2023 | (21,166) | (2,862) | (686) | (124) | (24,838) |
| **Net carrying amount** | | | | | |
| As at June 30, 2023 | 24,075 | 4,333 | 226 | 232 | 28,866 |
| As at December 31, 2022 | 31,571 | 4,332 | 274 | 173 | 36,350 |

## 11 LOANS AND RECEIVABLES

**Loans and receivables by nature:**

| | *Note* | **June 30, 2023** *RMB'000* | December 31, 2022 *RMB'000* |
|---|---|---|---|
| Minimum finance lease receivables | | | |
| Within one year | | **541,722** | 568,604 |
| More than one year and not more than five years | | **363,729** | 391,241 |
| Gross amount of finance lease receivables | | **905,451** | 959,845 |
| Less: Unearned finance income | | **(79,573)** | (81,901) |
| Net amount of finance lease receivables | | **825,878** | 877,944 |
| Receivables from sale-and-leaseback transactions | *(i)* | **8,613,503** | 8,252,886 |
| Receivables from intellectual property lease transactions | | **972,007** | 973,494 |
| Loans and receivables | | **10,411,388** | 10,104,324 |
| Less: | | | |
| Provision for finance lease receivables | | **(133,531)** | (136,557) |
| Provision for receivables from sale-and-leaseback transactions | | **(171,324)** | (139,932) |
| Provision for intellectual property lease transactions | | **(9,821)** | (8,183) |
| Provision for loans and receivables | | **(314,676)** | (284,672) |
| Total | | **10,096,712** | 9,819,652 |

*Note:*

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

Analysis for reporting purpose as:

| | **June 30, 2023** *RMB'000* | December 31, 2022 *RMB'000* |
|---|---|---|
| Non-current assets | **4,258,433** | 4,222,292 |
| Current assets | **5,838,279** | 5,597,360 |
| Total | **10,096,712** | 9,819,652 |

(a) Present value of minimum finance lease receivables:

| | **June 30, 2023** *RMB'000* | December 31, 2022 *RMB'000* |
|---|---|---|
| Not more than one year | **485,346** | 512,227 |
| More than one year and not later than five years | **340,532** | 365,717 |
| Total | **825,878** | 877,944 |

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

| | **June 30, 2023** | | | |
|---|---|---|---|---|
| | **12-month ECL** | **Lifetime ECL not credit-impaired** | **Lifetime ECL credit-impaired** | **Total** |
| Net amount of loans and receivables | **9,849,770** | **40,158** | **521,460** | **10,411,388** |
| Less: Allowances for impairment losses | **(33,621)** | **(580)** | **(280,475)** | **(314,676)** |
| Carrying amount of loans and receivables | **9,816,149** | **39,578** | **240,985** | **10,096,712** |

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

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

| | **June 30, 2023** | | | |
|---|---|---|---|---|
| | **12-month ECL** | **Lifetime ECL not credit-impaired** | **Lifetime ECL credit-impaired** | **Total** |
| Balance at January 1, 2023 | **33,862** | **524** | **250,286** | **284,672** |
| Transfer: | | | | |
| – to lifetime ECL not credit-impaired | **(212)** | **212** | **–** | **–** |
| – to lifetime ECL credit-impaired | **(96)** | **(524)** | **620** | **–** |
| Charge | **67** | **368** | **29,569** | **30,004** |
| Balance at June 30, 2023 | **33,621** | **580** | **280,475** | **314,676** |

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

## 12 OTHER ASSETS

| | *Note* | **June 30, 2023** ***RMB'000*** | December 31, 2022 *RMB'000* |
|---|---|---|---|
| **Non-current assets** | | | |
| Other assets | | **285** | 267 |
| **Current assets** | | | |
| Deductible VAT | | **15,156** | 27,011 |
| Advance payments | | **9,428** | 6,782 |
| Due from related parties | *20(c)* | **4,239** | 7,845 |
| Notes receivable | | **1,000** | – |
| Other receivables | | **305** | 406 |
| | | **30,128** | 42,044 |
| Total | | **30,413** | 42,311 |

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

### (a) Income tax payable

| | **June 30, 2023** ***RMB'000*** | December 31, 2022 *RMB'000* |
|---|---|---|
| At the beginning of the period/year | **18,142** | 32,144 |
| Provision for income tax for the period/year | **49,544** | 84,279 |
| Income tax paid | **(56,605)** | (98,281) |
| At the end of the period/year | **11,081** | 18,142 |

**(b)** The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the period are as follows:

| Deferred tax arising from: | Revaluation of FVOCI | Revaluation of FVTPL | Revenue with EIT paid in prior years | Revaluation of Equity Investments | Allowance for impairment losses | Accrued staff costs | Right-of-use assets | Lease liabilities | Total |
|---|---|---|---|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| January 1, 2022 | (2,246) | – | 8,873 | (4,850) | 58,864 | 5,997 | – | – | 66,638 |
| Charged to profit or loss | – | (153) | 542 | (3,424) | 12,395 | (77) | – | – | 9,283 |
| Charged to other comprehensive income | (78) | – | – | – | – | – | – | – | (78) |
| December 31, 2022 | (2,324) | (153) | 9,415 | (8,274) | 71,259 | 5,920 | – | – | 75,843 |
| Change in accounting policy | – | – | – | – | – | – | (8,151) | 8,151 | – |
| January 1, 2023 | (2,324) | (153) | 9,415 | (8,274) | 71,259 | 5,920 | (8,151) | 8,151 | 75,843 |
| Charged to profit or loss | – | 153 | (1,103) | 3,737 | 7,501 | (4,206) | 1,851 | (1,557) | 6,376 |
| June 30, 2023 | (2,324) | – | 8,312 | (4,537) | 78,760 | 1,714 | (6,300) | 6,594 | 82,219 |

## 14 CASH AND CASH EQUIVALENTS

| | **June 30, 2023** | December 31, 2022 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Deposits with banks | **636,012** | 634,987 |

## 15 BORROWINGS

| | **June 30, 2023** | December 31, 2022 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Bank loans | | |
| – pledged | **1,631,658** | 1,628,795 |
| – unsecured | **1,345,353** | 1,168,643 |
| Borrowings from a related party | | |
| – pledged | **615,000** | 1,000,000 |
| Asset-backed securities | **3,007,957** | 2,597,797 |
| | **6,599,968** | 6,395,235 |

Analysis for reporting purpose as:

| | **June 30, 2023** | December 31, 2022 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Non-current liabilities | **2,562,904** | 2,504,824 |
| Current liabilities | **4,037,064** | 3,890,411 |
| | **6,599,968** | 6,395,235 |

As at June 30, 2023, the borrowings were repayable as follows:

| | **June 30, 2023** | December 31, 2022 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Within one year | **4,037,064** | 3,890,411 |
| After 1 year but within 2 years | **1,603,477** | 1,403,339 |
| After 2 years but within 5 years | **959,427** | 1,101,485 |
| | **6,599,968** | 6,395,235 |

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

| | **June 30, 2023** | December 31, 2022 |
|---|---|---|
| Range of interest rates: | **3.65%-4.70%** | 3.65%-4.75% |

## 16 TRADE AND OTHER LIABILITIES

| | Note | **June 30, 2023** *RMB'000* | December 31, 2022 *RMB'000* |
|---|---|---|---|
| **Current liabilities** | | | |
| Notes payable | | **588,795** | 646,756 |
| Guaranteed deposits from lessees | | **464,308** | 347,811 |
| Accounts payable | | **84,017** | 134,607 |
| Dividends payable | | **80,000** | – |
| VAT to be collected in the following period | | **59,110** | 61,930 |
| Interest payable | | **24,374** | 22,125 |
| Lease liabilities | | **12,399** | 13,135 |
| Accrued staff costs | *(i)* | **11,412** | 28,544 |
| VAT payable and other tax payable | | **3,050** | 2,745 |
| Receipts in advance | | **2,334** | 3,096 |
| Other payables | | **1,960** | 2,662 |
| | | **1,331,759** | 1,263,411 |
| **Non-current liabilities** | | | |
| Guaranteed deposits from lessees | | **809,758** | 861,439 |
| Deferred revenue | | **86,416** | 89,909 |
| VAT to be collected in the following period | | **42,894** | 45,861 |
| Lease liabilities | | **13,978** | 19,468 |
| Accrued staff costs | *(i)* | **832** | 646 |
| Provision for credit commitments | | **364** | 364 |
| | | **954,242** | 1,017,687 |
| Total | | **2,286,001** | 2,281,098 |

*Note:*

(i) 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.

## 17 CAPITAL, RESERVES AND DIVIDENDS

### (a) 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 general 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.

### (b) 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.

### (c) 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.

***(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.

**(d) Dividends**

Final dividend in respect of the previous financial year, approved and paid during the interim period was nil (six months ended June 30, 2022: nil). Dividend which was approved but not paid during the interim period was RMB80.0 million (six months ended June 30, 2022: RMB60.0 million).

## 18 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

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.

| | **June 30, 2023** | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| Financial assets at FVOCI | **–** | **–** | **12,299** | **12,299** |
| Financial assets at FVTPL | **–** | **–** | **1,504** | **1,504** |
| Total | **–** | **–** | **13,803** | **13,803** |

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

For the six months ended June 30, 2023 and 2022, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the Reporting Period in which they occur.

**Information about Level 3 fair value measurements**

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

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

The fair value of unlisted investments are 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 period/year in the balance of these Level 3 fair value measurements are as follows:

| | **June 30, 2023** | December 31, 2022 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **Unlisted investments:** | | |
| At the beginning of the period/year | **13,299** | 12,986 |
| Investments from debt restructuring | **504** | – |
| Net unrealised gains or losses recognised in other comprehensive income during the period/year | **–** | 313 |
| At the end of the period/year | **13,803** | 13,299 |

## 19 COMMITMENTS

### (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 June 30, 2023, the Group's non-cancellable lease commitments amounted to RMB45.17 million (December 31, 2022: RMB100.0 million).

### (b) Capital commitments

As at June 30, 2023, the unpaid capital investment against Beijing Zhongnuo Tongchuang Investment Fund Management Co., Ltd. (北京中諾同創投資基金管理有限公司) and 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)), Shenzhen Zhongke Zhiyi Industrial Investment Co., Ltd (深圳中科知易產業投資有限公司), Zhongguancun Huizhi (Suzhou) Enterprise Management Co., Ltd (中關村匯志(蘇州)企業管理有限公司), Zhongguancun Lingyan (Hangzhou) Private Equity Fund Co., Ltd (中關村領雁(杭州)私募基金有限公司)was RMB2.3 million, RMB120.0 million, RMB0.7 million, RMB0.7 million and RMB0.7 million (December 31, 2022: RMB2.3 million, RMB120.0 million, RMB0.7 million, RMB0.7 million and RMB0.7 million), respectively. All of the above investees are associates which are accounted for using the equity method in the consolidated financial statements.

## 20 MATERIAL RELATED PARTY TRANSACTIONS

### (a) Transactions with key management personnel

| | **Six months ended June 30,** | |
|---|---|---|
| | **2023** | 2022 |
| | ***RMB'000*** | *RMB'000* |
| Key management personnel remuneration | **6,307** | 6,273 |

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

| | Six months ended June 30, | |
|---|---|---|
| | **2023** | 2022 |
| | ***RMB'000*** | *RMB'000* |
| ***Trade related*** | | |
| Repayment of loans and receivables from a related party | **–** | 629 |
| Repayment of security deposits payable to a related party | **–** | 912 |
| Interest income from loans and receivables to a related party | **–** | 9 |
| ***Non-trade related*** | | |
| **Borrowing related** | | |
| Repayment of borrowings from a related party | **385,000** | 820,000 |
| Borrowings from a related party | **–** | 100,000 |
| Interest expenses arising from borrowings from a related party | **16,078** | 14,379 |
| **Guarantee related** | | |
| Release of guarantees from related parties | **142,575** | 132,568 |
| Payment of guarantee fees to related parties | **981** | – |
| **Others** | | |
| Payment for the lease of house rental, property management and parking fee to related parties | **3,603** | 6,787 |
| Net (decrease)/increase of advance payment to a related party | **(528)** | 3,388 |
| Payment of other receivables of related parties | **4,265** | 50 |
| Received payments from related parties | **4,845** | – |

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

| | **June 30, 2023** | December 31, 2022 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **Borrowing related** | | |
| Borrowings payable to a related party | **615,000** | 1,000,000 |
| Interest payable to a related party | **883** | 1,436 |
| **Guarantee related** | | |
| Balance of guarantees from related parties | **939,559** | 796,984 |
| **Others** | | |
| Payable to related parties | **25,268** | 32,481 |
| Lease prepayment to a related party | **2,860** | 3,388 |
| Deposits for rental | **3,329** | 3,329 |
| Other receivables from related parties | **910** | 4,516 |

## 21 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 June 30, 2023, the number of consolidated structured entities of the Group was nine (December 31, 2022: eight). As at June 30, 2023, the total assets of the consolidated structured entities amounted to RMB3,345.8 million (December 31, 2022: RMB2,724.6 million).

## 22 SHARE-BASED PAYMENT ARRANGEMENTS

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

On 23 December 2020, the Group granted 12,670,000 share appreciation rights ("**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:

| | **June 30, 2023**<br>***RMB'000*** | December 31, 2022<br>*RMB'000* |
|---|---|---|
| Total carrying amount of liabilities for SARs | **832** | 646 |
| Total intrinsic value of liabilities for vested benefits | **–** | – |

### (b) Measurement of fair values

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

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

| | **June 30, 2023** | December 31, 2022 |
|---|---|---|
| Fair value at measurement date *(in RMB)* | **0.07** | 0.06 |
| Share price *(in HKD)* | **0.6** | 0.7 |
| Exercise price *(in RMB)* | **1** | 1 |
| Expected volatility | **40.70%** | 33.96% |
| Expected life *(year)* | **2.5** | 3.0 |
| Expected dividends | **0%** | 0% |
| Risk-free interest rate | **4.45%** | 4.26% |

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

**(c) Reconciliation of outstanding SARs**

The number and exercise price of SARs are as follows:

| | Number of SARs | Exercise price |
|---|---|---|
| Outstanding at January 1, 2023 | 4,223,333 | RMB1 |
| Granted during the period | – | – |
| Outstanding at June 30, 2023 | 4,223,333 | RMB1 |
| Exercisable at June 30, 2023 | – | – |

The SARs outstanding at June 30, 2023 had an exercise price of RMB1 and a remaining contractual life of 2.5 years.

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

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

## MANAGEMENT DISCUSSION AND ANALYSIS

| | **For the six months ended June 30,** | | For the year ended December 31, | | |
|---|---|---|---|---|---|
| | **2023** | 2022 | 2022 | 2021 | 2020 |
| | ***RMB' 000*** | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Operating Performance** | | | | | |
| **Revenue** | **398,362** | 362,559 | 743,146 | 656,943 | 587,565 |
| Interest income | **330,962** | 299,304 | 613,397 | 541,367 | 480,944 |
| Advisory fee income | **67,400** | 63,255 | 129,749 | 115,576 | 106,621 |
| Other net income | **11,103** | 6,803 | 15,342 | 14,423 | 19,079 |
| **Interest expense** | **(143,950)** | (133,176) | (272,493) | (246,545) | (232,839) |
| Operating expense | **(69,188)** | (58,957) | (150,560) | (129,407) | (116,141) |
| Impairment losses charged | **(30,004)** | (26,983) | (49,580) | (53,004) | (44,467) |
| Share of gains/(losses) of associates | **7,830** | (925) | 15,136 | 19,391 | (1,687) |
| Net foreign exchange gains/(losses) | **3** | 22 | 109 | (175) | 3,999 |
| **Profit before taxation** | **174,156** | 149,343 | 301,100 | 261,626 | 215,509 |
| **Net profit** | **130,988** | 111,854 | 226,104 | 195,917 | 161,466 |
| **Basic and diluted earnings per Share *(in RMB)*** | **0.10** | 0.08 | 0.17 | 0.15 | 0.12 |
| **Profitability** | | | | | |
| Return on average equity (1) | **11.7%** | 10.8% | 10.6% | 9.9% | 9.8% |
| Return on average assets (2) | **2.4%** | 2.4% | 2.2% | 2.2% | 2.1% |
| Net interest margin (3) | **3.8%** | 3.7% | 3.7% | 3.8% | 3.6% |
| Net interest spread (4) | **2.7%** | 2.5% | 2.6% | 2.6% | 2.4% |
| Net profit margin (5) | **32.9%** | 30.9% | 30.4% | 29.8% | 27.5% |

*Notes:*

(1) Calculated by dividing net profit for the period/year by the average balance of total equity at the beginning and the end of the period/year, presented on an annualized basis.

(2) Calculated by dividing net profit for the period/year by the average balance of total assets at the beginning and the end of the period/year, presented on an annualized basis.

(3) Calculated by dividing net interest income for the period/year by the average balance of interest-earning assets, presented on an annualized basis.

(4) Calculated as the difference between interest income yield and interest expense yield for the period/year, presented on an annualized basis.

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

| | For the six months ended June 30, | | For the year ended December 31, | | |
|---|---|---|---|---|---|
| | **2023** | 2022 | 2022 | 2021 | 2020 |
| | ***RMB' 000*** | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Assets and liabilities** | | | | | |
| **Total assets** | **11,168,458** | 9,495,412 | 10,914,895 | 9,428,623 | 8,165,054 |
| Net amount of finance lease receivables | **10,096,712** | 8,761,242 | 9,819,652 | 8,472,832 | 7,382,156 |
| **Total liabilities** | **8,897,050** | 7,389,477 | 8,694,475 | 7,374,542 | 6,249,239 |
| Interest-bearing bank and other financing | **6,599,968** | 5,068,569 | 6,395,235 | 5,371,076 | 4,153,046 |
| **Total equity** | **2,271,408** | 2,105,935 | 2,220,420 | 2,054,081 | 1,915,815 |
| Net assets per share *(in RMB)* | **1.70** | 1.58 | 1.67 | 1.54 | 1.44 |
| **Financial Indicators** | | | | | |
| Liability to asset ratio (1) | **79.7%** | 77.8% | 79.7% | 78.2% | 76.5% |
| Risk asset to equity ratio (2) | **460.3%** | 428.5% | 460.6% | 426.4% | 397.4% |
| Liquidity ratio (3) | **122.3%** | 101.4% | 122.4% | 137.1% | 104.0% |
| Gearing ratio (4) | **290.6%** | 240.7% | 288.0% | 261.5% | 216.8% |
| **Interest-earning asset quality** | | | | | |
| NPA ratio (5) | **1.6%** | 1.6% | 1.6% | 1.5% | 1.5% |
| Allowance coverage ratio for NPA (6) | **183.5%** | 182.5% | 173.7% | 175.9% | 163.2% |

*Notes:*

(1) Calculated by dividing total liabilities by total assets.

(2) 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.

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

(4) Calculated by dividing total debt by total equity. The total debt consists of borrowings.

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

(6) 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 the first half of 2023, China smoothly navigated through the post-pandemic reopening period. A combination of pent-up demand release, supportive policy measures, and the low base effect contributed to a noticeable recovery in macroeconomic growth. The pressures of shrinking demand, supply disruptions, and weakening expectations were alleviated to varying degrees. The economy exhibited a "bottoming-out rebound" trend, with a year-on-year GDP growth of 5.5%. In the second half of the year, building on the foundation of recovery, the government introduced stimulating policies for new energy, intelligent manufacturing, and innovation in bottleneck technologies. With improvements in the labor market and credit expansion, the microeconomic foundation accelerated its recovery, market expectations improved, and the economy is expected to move towards expansionary growth.

Influenced by macroeconomic fluctuations, decelerating economic growth, and ongoing regulatory tightening, the leasing industry entered a stage of high-quality development. Financial leasing companies that focus on market cultivation and excel in professional capabilities are encountering new development opportunities. As one of the financial services most closely linked to the real economy, the financial leasing industry is returning to its core business, further playing a role in driving industrial innovation and upgrades, broadening financing channels for small and medium-sized enterprises, promoting the development of emerging industries, and facilitating economic structural adjustments. Intelligent manufacturing, new energy, and new infrastructure have become important directions for the industry's transformation and optimization.

*Data source: China National Bureau of Statistics*

### *1.2 Company's Response*

In the first half of the year, in the face of a complex and ever-changing external environment, the Group rapidly optimized its company strategy, innovated business models, improved asset quality, and reduced financing costs, resulting in a simultaneous revenue growth of 9.9% and a year-on-year increase in pre-tax profits by 16.6%. Key initiatives in the first half of the year included:

**Optimizing the Company's strategic system and making solid progress in "technology leasing + industrial operation"**. In the first half of the year, faced with changes in economic and financial conditions and intensifying market competition, the Group firmly focused on serving science and technology innovation enterprises, deepening cultivation in the science and technology innovation industry, and optimizing and establishing a "1+2+3" strategic system. This laid the foundation for the Company to achieve its goals for the 14th Five Year Plan period.

**Actively pursuing product innovation to consolidate the Company's stronghold in the science and technology innovation service sector.** In the first half of the year, the Company responded to industry trends, focused on target customers, and launched advantageous products, resulting in a 15.0% year-on-year increase in the financial leasing business, with approximately RMB3.691 billion put into this business. For high-growth science and technology innovation enterprises, the Company fully leveraged its credit and value discovery capabilities to address the financing pain points start-ups face through technology-driven small-scale products and thereby accumulating a customer base and industry resources for the Company; for customers in the equipment manufacturing and AI+ hardware sectors, the Company introduced industry and finance integration products to meet the sustained financing needs of customers, achieving company growth in scale, quality and profitability.

**Enhancing risk management capabilities through standardized and digitalized operational controls.** In the first half of the year, the Group completed the optimization of version 5.0 of its rating model's indicator system and weightings, improving the accuracy of evaluating startups and growth-oriented customers. Simultaneously, the Group focused on constructing a digital system for the entire business process, including due diligence, intelligent legal and signing systems, and digital marketing systems. This was complemented by the standardization of product manuals and business operation manuals, enhancing operational control and efficiency.

**Continuously reducing financing costs and strengthening the competitiveness of intellectual property leasing products.** In the first half of the year, the Group took advantage of a window of loose monetary conditions to issue ABS, ABN, and other products, resulting in a financing amount of approximately RMB4.069 billion. Financing costs were further reduced, and interest expense cost on borrowings were lowered to 3.8%. Additionally, the Group collaborated with banks to develop specialized products for intellectual property leasing, providing a more competitive financing path for the Company's intellectual property business. Furthermore, the Group actively promoted a series of organizational transformation measures to further stimulate organizational vitality, enhancing the Group's market competitiveness towards customers.

## 2. ANALYSIS OF PROFIT OR LOSS

### *2.1 Overview*

During the Reporting Period, the Group realized a total revenue of RMB398.4 million, representing an increase of 9.9% as compared to the total revenue of RMB362.6 million for the corresponding period of last year, and the net profit for the period amounted to RMB131.0 million, representing an increase of 17.1% as compared to the net profit of RMB111.9 million for the corresponding period of last year. During the Reporting Period, the Group continued to optimize the asset structure and improve the profitability and the efficiency of capital use.

### 2.2 *Revenue*

During the Reporting Period, the Group realized a total revenue of RMB398.4 million, representing an increase of 9.9% as compared to the total revenue of RMB362.6 million for the corresponding period of last year, and the interest income and advisory fee income recorded stable growth. During the Reporting Period, interest income amounted to RMB331.0 million, accounting for 83.1% of the total revenue and representing an increase of 10.6% as compared to that of the corresponding period of last year. Advisory fee income amounted to RMB67.4 million, representing an increase of 6.6% as compared to that of the corresponding period of last year, due to the Group actively delivering a variety of advisory value-added services to the customers.

The following table sets forth the Group's revenue from interest income and advisory fee income for the periods indicated:

| | **For the six months ended June 30,** | | | | |
|---|---|---|---|---|---|
| | **2023** | | 2022 | | **Changes** |
| | ***RMB'000*** | ***% of total*** | *RMB'000* | *% of total* | |
| Interest income | **330,962** | **83.1%** | 299,304 | 82.6% | 10.6% |
| Advisory fee income | **67,400** | **16.9%** | 63,255 | 17.4% | 6.6% |
| **Total revenue** | **398,362** | **100.0%** | 362,559 | 100.0% | 9.9% |

#### 2.2.1 *Interest Income*

The interest income of the Group increased by 10.6% from RMB299.3 million for the corresponding period of last year to RMB331.0 million for the Reporting Period, accounting for 83.1% of the total revenue of the Group primarily due to the further expansion of our business.

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

| | **For the six months ended June 30,** | | | | | |
|---|---|---|---|---|---|---|
| | **2023** | | | 2022 | | |
| | **Amount[(1)]** | **Interest income** | **Average yield of interest-earning assets[(2)]** | Amount | Interest income | Average yield of interest-earning assets |
| | ***RMB'000*** | ***RMB'000*** | ***%*** | *RMB'000* | *RMB'000* | *%* |
| **Total** | **10,025,786** | **330,962** | **6.5%** | 8,865,856 | 299,304 | 6.8% |

*Notes:*

(1) The average balance of interest-earning assets is calculated by dividing the sum of loans and receivables before allowances for impairment losses at the beginning of the period and at the end of the period by two.

(2) In calculating average yield of interest-earning assets for the six months ended June 30, 2022 and 2023, we annualized our interest income by multiplying the interest income in the six months ended June 30, 2022 and 2023, respectively, by two, and then divided the annualized interest income by average balance of interest-earning assets.

Analysis by Average Balance of Interest-earning Assets

The average balance of interest-earning assets of the Group increased by 15.7% from RMB8,865.9 million for the corresponding period of last year to RMB10,257.9 million for the Reporting Period, primarily due to the expansion of our business, which led to a continuous increase in the finance lease principle amount.

Analysis by Average yield of interest-earning assets

During the Reporting Period, the average yield of interest-earning assets of the Group was 6.5%, which remained stable, representing a decrease of 0.3% from 6.8% in the corresponding period of last year. At the same time, the Group's interest expense yield decreased from 4.2% to 3.9%. The Group maintained a steady increase in the rate of return on assets against the backdrop of declining capital costs, showing the continuous improvement of the Group's business premium capability.

### 2.2.2 *Advisory Fee Income*

During the Reporting Period, the advisory fee income of the Group increased by 6.6% from RMB63.3 million for the corresponding period of last year to RMB67.4 million for the Reporting Period, accounting for 16.9% of the total revenue of the Group, mainly due to the increase of the Group's customers.

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 six months ended June 30, | | | | |
|---|---|---|---|---|---|
| | **2023** | | 2022 | | **Changes** |
| | ***RMB'000*** | ***% of total*** | *RMB'000* | *% of total* | |
| Policy advisory fee income | **48,200** | **71.5%** | 44,269 | 70.0% | 8.9% |
| Management advisory fee income | **19,200** | **28.5%** | 18,986 | 30.0% | 1.1% |
| **Total advisory fee income** | **67,400** | **100.0%** | 63,255 | 100.0% | 6.6% |

## 2.3 *Interest Expense*

During the Reporting Period, the interest expense of the Group amounted to RMB144.0 million, representing an increase of 8.1% as compared to RMB133.2 million for the corresponding period of last year, which was mainly caused by the rapid growth in finance lease business, under the support of the Company.

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

| | For the six months ended June 30, | | | | |
|---|---|---|---|---|---|
| | **2023** | | 2022 | | **Changes** |
| | ***RMB'000*** | ***% of total*** | *RMB'000* | *% of total* | |
| Commercial banks | **56,683** | **39.3%** | 48,399 | 36.4% | 17.1% |
| Borrowings from related parties[(1)] | **16,078** | **11.2%** | 14,379 | 10.8% | 11.8% |
| Asset-backed securities | **42,783** | **29.7%** | 39,347 | 29.5% | 8.7% |
| Imputed on interest-free guaranteed deposits | **27,712** | **19.3%** | 29,942 | 22.5% | (7.4%) |
| Lease liabilities | **694** | **0.5%** | 1,109 | 0.8% | (37.4%) |
| **Total interest expense** | **143,950** | **100.0%** | 133,176 | 100.0% | 8.1% |

*Note:*

(1) Refer to pledged loans from Zhongguancun Development Group Co., Ltd. (中關村發展集團股份有限公司) ("**ZGC Group**") and its subsidiaries.

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

| | For the six months ended June 30, | | | | | |
|---|---|---|---|---|---|---|
| | 2023 | | | 2022 | | |
| **Borrowings**[1] | **Amount**[2] | **Interest expense** | **Average cost**[3] | Amount | Interest expense | Average cost |
| | ***RMB'000*** | ***RMB'000*** | | *RMB'000* | *RMB'000* | |
| Commercial banks | **2,878,227** | **56,683** | **3.9%** | 2,420,432 | 48,399 | 4.0% |
| Borrowings from related parties | **725,000** | **16,078** | **4.4%** | 614,286 | 14,379 | 4.7% |
| Asset-backed securities | **2,547,355** | **42,783** | **3.4%** | 2,192,278 | 39,347 | 3.6% |
| **Borrowings** | **6,150,582** | **115,544** | **3.8%** | 5,226,996 | 102,125 | 3.9% |

*Notes:*

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

(2) Calculated based on the average of the monthly balance of interest-bearing liabilities for the six months ended June 30, 2022 and 2023.

(3) Calculated based on dividing the annualized interest expenses by the average of the monthly balance of interest-bearing liabilities for the six months ended June 30, 2022 and 2023.

During the Reporting Period, the Group held an interest expense cost on borrowings of 3.8%, representing a decrease as compared to the corresponding period of last year, mainly due to the Group's active financing cost management, enhancement of fund balance, optimization of liability structure and reduction of financing cost.

### *2.4 Net Interest Spread and Net Interest Margin*

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

| | For the six months ended June 30, | | |
|---|---|---|---|
| | **2023** | 2022 | **Changes** |
| | ***RMB'000*** | *RMB'000* | |
| Interest income | **330,962** | 299,304 | 10.6% |
| Interest expenses | **(143,950)** | (133,176) | 8.1% |
| Net interest income | **187,012** | 166,128 | 12.6% |
| Interest income yield(1) | **6.6%** | 6.7% | (1.5%) |
| Interest expense yield(2) | **3.9%** | 4.2% | (7.1%) |
| Net interest spread(3) | **2.7%** | 2.5% | 8.0% |
| Net interest margin(4) | **3.8%** | 3.7% | 2.7% |

*Notes:*

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

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

During the Reporting Period, the net interest spread of the Group was 2.7% and the net interest margin was 3.8%, representing an increase as compared to the corresponding period of last year, mainly due to the continuous improvement of business premium capability, the Group maintained a steady increase in the rate of return on assets against the backdrop of declining capital costs. For details of changes in interest expense yield, please refer to the discussion and analysis in item "2.3 Interest Expense" of this section.

### *2.5 Other Net Income*

Other net income primarily included investment income, value-added tax(VAT) additional deduction and interests from our bank deposits. During the Reporting Period, we received other net income of RMB11.1 million, an increase of 63.2% over the corresponding period of last year.

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

| | For the six months ended June 30, | | |
|---|---|---|---|
| | **2023** | 2022 | **Changes** |
| | ***RMB'000*** | *RMB'000* | |
| Investment Income | **4,713** | 247 | 1,808.1% |
| Value-added tax (VAT) additional deduction | **2,668** | – | – |
| Interests from deposits | **2,311** | 2,234 | 3.5% |
| Government grants | **437** | 4,033 | (89.2%) |
| Others | **974** | 289 | 237.0% |
| **Total other net income** | **11,103** | 6,803 | 63.2% |

### *2.6 Operating Expense*

During the Reporting Period, operating expense of the Group amounted to RMB69.2 million, representing an increase of RMB10.2 million or 17.4% as compared to the corresponding period of last year.

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

| | For the six months ended June 30, | | | | |
|---|---|---|---|---|---|
| | **2023** | | 2022 | | **Changes** |
| | ***RMB'000*** | ***% of total*** | *RMB'000* | *% of total* | |
| Staff cost | **37,086** | **53.5%** | 32,555 | 55.0% | 13.9% |
| Rental expense | **900** | **1.3%** | 838 | 1.4% | 7.4% |
| Service expense | **13,265** | **19.2%** | 8,645 | 14.7% | 53.4% |
| Depreciation and amortization | **8,623** | **12.5%** | 9,210 | 15.6% | (6.4%) |
| Professional service expense | **2,260** | **3.3%** | 4,361 | 7.4% | (48.2%) |
| Others | **7,054** | **10.2%** | 3,348 | 5.9% | 110.7% |
| **Total operating expense** | **69,188** | **100.0%** | 58,957 | 100.0% | 17.4% |

### *2.7 Impairment Losses Charged*

Impairment losses charged primarily related to loans and receivables and credit commitments of the Group. During the Reporting Period, the expected credit impairment losses of the Group amounted to RMB30.0 million, representing an increase of 11.2% as compared to the expected credit impairment losses of RMB27 million for the corresponding period of last year, mainly due to the continuously effort of the Group to promote the construction of risk control system, improve the ability of credit discovery and expand the scale of customers while stabilizing the quality of assets.

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

| | For the six months ended June 30, | | |
|---|---|---|---|
| | **2023** | 2022 | **Changes** |
| | ***RMB'000*** | *RMB'000* | |
| Loans and receivables | **30,004** | 26,785 | 12.0% |
| Credit commitments[1] | **–** | 198 | – |
| **Impairment losses charged** | **30,004** | 26,983 | 11.2% |

*Note:*

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

### *2.8 Income Tax Expense*

During the Reporting Period, the income tax expense of the Group amounted to RMB49.5 million, representing an increase of RMB11.6 million or 30.6% as compared to the corresponding period of last year, contributed by the increase in profit before taxation.

During the Reporting Period, the effective income tax rate of the Group was 24.8%.

### *2.9 Profit for the Period*

During the Reporting Period, the profit for the period of the Group amounted to RMB131.0 million, representing an increase of RMB19.1 million or 17.1% as compared to the corresponding period of last year. While the total revenue of the Group rose by 9.9%, the interest expense and operating expense increased by 8.1% and 17.4% respectively as compared to the corresponding period of last year. For details of changes in revenue, interest expense and operating expense, please refer to the discussion and analysis in items "2.2 Revenue", "2.3 Interest Expense" and "2.6 Operating 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 maintaining the asset quality stable. It is expected that with the enhancement of the Group's net capital strength and the further expansion of the finance leasing business together with the further improvement of digital capabilities, the Group's customer scale, the operation efficiency and the profitability will be improving on a constant basis.

### *2.10 Basic Earnings per Share*

During the Reporting Period, the Group's basic earnings per share for the first half of 2023 amounted to RMB0.10, which has exceeded that of the corresponding period of last year, due to the soar in profit of the Group.

## 3. ANALYSIS OF FINANCIAL POSITION

### *3.1 Assets (Overview)*

As at the end of the Reporting Period, total assets of the Group amounted to RMB11,168.5 million, representing growth of RMB253.6 million or 2.3% as compared to the end of last year. Loans and receivables amounted to RMB10,096.7 million, representing an increase of RMB277.1 million or 2.8% as compared to the end of last year. In terms of the asset structure, cash and cash equivalents accounted for 5.7% of total assets, and loans and receivables accounted for 90.4% of total assets.

The following table sets forth the breakdown of total assets of the Group as of the dates indicated:

| | As of June 30, 2023 | | As of December 31, 2022 | | Changes |
|---|---|---|---|---|---|
| | *RMB'000* | *% of total* | *RMB'000* | *% of total* | |
| Loans and receivables | **10,096,712** | **90.4%** | 9,819,652 | 90.1% | 2.8% |
| Pledged and restricted deposits | **76,222** | **0.7%** | 53,754 | 0.5% | 41.8% |
| Cash and cash equivalents | **636,012** | **5.7%** | 634,987 | 5.8% | 0.2% |
| Other assets | **30,413** | **0.3%** | 42,311 | 0.4% | (28.1%) |
| Deferred tax assets | **82,219** | **0.7%** | 75,843 | 0.7% | 8.4% |
| Property and equipment | **28,866** | **0.3%** | 36,350 | 0.3% | (20.6%) |
| Interest in associates | **188,345** | **1.7%** | 190,689 | 1.7% | (1.2%) |
| Financial assets at fair value through other comprehensive income | **12,299** | **0.1%** | 12,299 | 0.1% | 0.0% |
| Financial assets at fair value through profit or loss | **1,504** | **0.0%** | 33,181 | 0.3% | (95.5%) |
| Intangible assets | **15,866** | **0.1%** | 15,829 | 0.1% | 0.2% |
| **Total assets** | **11,168,458** | **100.0%** | 10,914,895 | 100.0% | 2.3% |

### *3.2 Loans and receivables*

During the Reporting Period, the Group attracted 168 new customers for finance leasing and entered into 299 new contracts. Driven by the expansion of business scale, our loans and receivables continued to climb. As at the end of the Reporting Period, net amount of loans and receivables of the Group amounted to RMB10,411.4 million, representing an increase of 3.0% 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 June 30, 2023** | As of December 31, 2022 | **Changes** |
|---|---|---|---|
| | ***RMB'000*** | *RMB'000* | |
| **Gross amount of loans and receivables** | **11,221,484** | 10,872,502 | 3.2% |
| Less: Unearned finance income | **(810,096)** | (768,178) | 5.5% |
| **Net amount of loans and receivables** | **10,411,388** | 10,104,324 | 3.0% |
| Less: Allowances for impairment losses | **(314,676)** | (284,672) | 10.5% |
| **Carrying amount of loans and receivables** | **10,096,712** | 9,819,652 | 2.8% |

### *3.2.1 Maturity Profile of Loans and receivables*

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

| | **As of June 30, 2023** | | As of December 31, 2022 | | **Changes** |
|---|---|---|---|---|---|
| | ***RMB'000*** | ***% of total*** | *RMB'000* | *% of total* | |
| **Maturity** | | | | | |
| Not later than 1 year | **6,132,547** | **58.9%** | 5,858,002 | 58.0% | 4.7% |
| 1 to 2 years | **3,021,972** | **29.0%** | 3,136,579 | 31.0% | (3.7%) |
| 2 to 3 years | **943,515** | **9.1%** | 918,325 | 9.1% | 2.7% |
| Over 3 years | **313,354** | **3.0%** | 191,418 | 1.9% | 63.7% |
| **Net amount of loans and receivables** | **10,411,388** | **100.0%** | 10,104,324 | 100.0% | 3.0% |

As at the end of the Reporting Period, 58.9% 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.

### *3.2.2 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 (i) normal; (ii) special mention; (iii) sub-standard; (iv) doubtful; and (v) loss. The latter three with credit impairment are classified as non-performing assets.

Lease Receivable 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 the first half of 2023, facing the rapidly changing internal and external economic environment, the Group seized the key opportunities to promote strategic upgrading and business transformation and continuously upgraded its core capabilities; Focusing on improving operational and management efficiency, matching the Group's strategic transformation, continuously exploring customer value, and enhancing risk detection capabilities; Actively respond to various risks and challenges, and continuously improve the ability to dispose of non-performing assets. During the Reporting Period, the assets scale of the Group increased steadily, the asset quality remained stable and the allowance coverage ratio and the ability to resist risk continued to improve.

**Continuously upholding exploration and innovation, expanding channels for high-quality asset imports**

During the Reporting Period, the Group's regional expansion strategy demonstrated effectiveness, further expanding its coverage and outreach capabilities in emerging economic active regions. Following a path of specialized business development, the Group continued to innovate products, aligning with industry trends and implementing industry and finance integration projects. Leveraging the characteristics of science and technology innovation enterprises, the Group evolved from being "knowledge-oriented" to "capital-oriented", further enhancing its value discovery ability in science and technology innovation enterprises with a focus on "light asset" strategies.

**Systematically promoting standardization and digitization, enhancing asset management efficiency**

During the Reporting Period, the Group actively promoted standardization, optimizing the organizational structure and processes for asset management. Continuously improving data sources, the Group enhanced its big data monitoring and early warning capabilities. In alignment with the Company's strategic transformation, the Group delved into customer value, implemented customer classification, and enhanced the precision of customer management. The Group also continued to optimize resource allocation, closely tracking asset conditions to ensure their safety and effectiveness.

**Enhancing overdue decision-making and collection mechanisms, achieving significant progress in collection and disposal**

During the Reporting Period, the Group continually refined its overdue project collection and decision-making mechanisms. It categorized and managed non-performing overdue projects, devising personalized collection plans for each enterprise to improve the Group's capability in managing overdue accounts. Notably, during the Reporting Period, the Group's ability to dispose of non-performing assets saw a remarkable improvement.

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

| | **As of June 30, 2023** | | As of December 31, 2022 | | **Changes** |
|---|---|---|---|---|---|
| | ***RMB'000*** | ***% of total*** | *RMB'000* | *% of total* | |
| Normal | **9,869,110** | **94.8%** | 9,564,672 | 94.6% | 3.2% |
| Special mention | **370,781** | **3.6%** | 375,778 | 3.7% | (1.3%) |
| Sub-standard | **85,666** | **0.8%** | 78,302 | 0.8% | 11.6% |
| Doubtful | **16,898** | **0.1%** | 16,578 | 0.2% | (8.7%) |
| Loss | **68,933** | **0.7%** | 68,994 | 0.7% | (0.1%) |
| **Net amount of loans and receivables** | **10,411,388** | **100.0%** | 10,104,324 | 100.0% | 3.0% |
| **Non-performing assets** | **171,497** | | 163,874 | | |
| **NPA ratio** | **1.6%** | | 1.6% | | |

During the Reporting Period, 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 science and technology innovation enterprises. By practicing accurate identification, strict control and efficient resolution of various risks, the Group's asset quality remained stable, among them, the assets under normal accounted for 94.8%, which was mostly flat from the beginning of the year.

*3.2.3 Impairment and Allowances for Loans and receivables*

The following table sets forth a summary of allowance for loans and receivables as of the dates indicated. The Group adopts new accounting standards for financial instruments and applies the expected credit loss ("**ECL**") model under the new standards. The allowances for interest-earning assets of the Group increased by RMB30.0 million from RMB284.7 million as at the end of last year to RMB314.7 million as at the end of the Reporting Period.

| | **As of June 30, 2023** | | As of December 31, 2022 | |
|---|---|---|---|---|
| | ***RMB'000*** | ***% of total*** | *RMB'000* | *% of total* |
| Allowances for Non-performing assets | **131,921** | **41.9%** | 116,334 | 40.9% |
| Allowances for Normal and special assets | **182,755** | **58.1%** | 168,338 | 59.1% |
| **Total allowance for loans and receivables** | **314,676** | **100.0%** | 284,672 | 100.0% |
| **Non-performing assets** | **171,497** | | 163,874 | |
| **Ratio of allowances for impairment losses to loans and receivables** | **183.5%** | | 173.7% | |

As at the end of the Reporting Period, ratio of allowances for impairment losses to loans and receivables of the Group was 183.5%, which was 9.8 percentage point higher than that as compared to the end of last year. The management of the Group believes that prudent risk management policy is crucial to its sustainable growth.

The following table sets forth the breakdown of allowances measured based on ECL as of the dates indicated. The Group has been closely monitoring the credit quality of loans and receivables by monitoring their ECL. As at the end of the Reporting Period, ECL rate of financial lease receivables of the Group in stage one, stage two and stage three was 0.3%, 1.4% and 53.8% respectively, representing a decrease of 0.1%, a decrease of 0.1% and an increase of 4.3% respectively as compared to the end of last year, and the Group increased the overall ECL rate from 2.8% to 3.0% and systematically strengthened the risk resistance capacity of its assets.

| | Stage 1 | Stage 2 | Stage 3 | |
|---|---|---|---|---|
| | 12-month ECL | Lifetime ECL | | |
| | balance | Not credit-impaired | Credit-impaired | Total |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **June 30, 2023** | | | | |
| **ECL rate%** | **0.3%** | **1.4%** | **53.8%** | **3.0%** |
| Net amount of loans and receivables | **9,849,770** | **40,158** | **521,460** | **10,411,388** |
| Allowance for impairment loss | **(33,621)** | **(580)** | **(280,475)** | **(314,676)** |
| Carrying amount of loans and receivables | **9,816,149** | **39,578** | **240,985** | **10,096,712** |
| **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) |
| Carrying amount of loans and receivables | 9,530,810 | 33,503 | 255,339 | 9,819,652 |

### *3.3 Others*

As at the end of the Reporting Period, cash and cash equivalents of the Group amounted to RMB636.0 million, which were denominated in RMB. The Group retained adequate cash to support business expansion and ensures its liquidity and safety. Restricted deposit of the Group amounted to RMB76.2 million, primarily comprising restricted bank deposits for bank acceptances and factorings.

At the end of the Reporting Period, the balance of trade and other receivables of the Group amounted to RMB30.4 million, mainly including advance payments to suppliers for purchase of equipment and deductible value-added input tax.

At the end of the Reporting Period, the balance of deferred tax assets of the Group amounted to RMB82.2 million, which were mainly derived from the temporary difference between net profit and taxable income in the financial report.

At the end of the Reporting Period, the balance of property and equipment of the Group amounted to RMB28.9 million, mainly including right-of-use assets and office equipment and computers for our employees.

At the end of the Reporting Period, the balance of interest in associates/joint ventures of the Group amounted to RMB188.3 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..

At the end of the Reporting Period, 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.

At the end of the Reporting Period, the balance of financial assets at fair value through profit or loss of the Group amounted to RMB1.5 million, which was the equity investment in Beijing YuanBio Angel Venture Capital Partnership (Limited Partnership) and Langfang Wantai Composite Materials Co., Ltd (廊坊萬泰複合材料有限責任公司).

As at the end of the Reporting Period, the balance of intangible assets of the Group amounted to RMB15.9 million, mainly including software used in our business operations and risk management functions.

### *3.4 Liabilities*

As at the end of the Reporting Period, total liabilities of the Group amounted to RMB8,897.1 million, representing an increase of RMB202.6 million or 2.3% as compared to the end of last year. In particular, borrowings were the main component of the liabilities of the Group, accounting for 74.2%, representing a increase from 73.6% as compared to the end of last year.

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

| | **As of June 30, 2023** | | As of December 31, 2022 | | **Changes** |
|---|---|---|---|---|---|
| | ***RMB'000*** | ***% of total*** | *RMB'000* | *% of total* | |
| Borrowings | **6,599,968** | **74.2%** | 6,395,235 | 73.6% | 3.2% |
| Trade and other liabilities | **2,286,001** | **25.7%** | 2,281,098 | 26.2% | 0.2% |
| Income tax payable | **11,081** | **0.1%** | 18,142 | 0.2% | (38.9%) |
| **Total liabilities** | **8,897,050** | **100.0%** | 8,694,475 | 100.0% | 2.3% |

### ***3.5 Borrowings***

The Group's borrowings included commercial bank borrowings, related party loans and asset-backed securities, of which asset-backed securities were the main source of financing, accounting for 45.6%, basically unchanged from the end of the last year, and the financing structure was stable. As at the end of the Reporting Period, borrowings of the Group amounted to RMB6,600.0 million, which were denominated in RMB, representing a increase of RMB204.7 million or 3.2% as compared to the end of last year, the main reason is due to the expansion of business scale of the Group during the Reporting Period.

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

| | **As of June 30, 2023** | | As of December 31, 2022 | | **Changes** |
|---|---|---|---|---|---|
| | ***RMB'000*** | ***% of total*** | *RMB'000* | *% of total* | |
| **Bank loans** | **2,977,011** | **45.1%** | 2,797,438 | 43.8% | 6.4% |
| – pledged | **1,631,658** | **24.7%** | 1,628,795 | 25.5% | 0.2% |
| – unsecured | **1,345,353** | **20.4%** | 1,168,643 | 18.3% | 15.1% |
| **Borrowings from related parties[1]** | | | | | |
| – pledged | **615,000** | **9.3%** | 1,000,000 | 15.6% | (38.5%) |
| **Asset-backed securities** | **3,007,957** | **45.6%** | 2,597,797 | 40.6% | 15.8% |
| **Total borrowings** | **6,599,968** | **100.0%** | 6,395,235 | 100.0% | 3.2% |

*Note:*

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

As at the end of the Reporting Period, the outstanding balance of bank loans of the Group was RMB2,977.0 million, accounting for 45.1% of the total borrowings, which was slightly higher as compared to the end of last year. The balance of borrowings from related parties accounted for 9.3% of the total borrowings, a decrease from the end of last year; and the balance of asset-backed securities accounted for 45.6% of the total borrowings, which was an increase from the end of last year. During the Reporting Period, the Group's first domestic foreign bank syndicated business was launched, and the total amount of syndicated loan was RMB810 million; Two phases of assets backed security products were issued, raising RMB1.48 billion. Meanwhile, during the Reporting Period, the group actively collaborated with financial institutions to develop exclusive financing products, targeted support business investment, reduced financing costs, and actively promoted the registration and issuance of ultra short term financing bonds, diversified financing channels.

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

| | **As of June 30, 2023** | | As of December 31, 2022 | | **Changes** |
|---|---|---|---|---|---|
| | **RMB'000** | **% of total** | *RMB'000* | *% of total* | |
| Current | **4,037,064** | **61.2%** | 3,890,411 | 60.8% | 3.8% |
| Non-current | **2,562,904** | **38.8%** | 2,504,824 | 39.2% | 2.3% |
| **Total borrowings** | **6,599,968** | **100.0%** | 6,395,235 | 100.0% | 3.2% |

As at the end of the Reporting Period, the current proportion of borrowings (including short-term borrowings and portions that were due within one year in long-term borrowings) of the Group accounted for 61.2% of total borrowings of the Group, representing an increase of 3.8% as compared to the end of last year.

### 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 0.2% from RMB2,281.1 million as at the end of last year to RMB2,286.0 million as at the end of the Reporting Period.

### 3.7 *Capital and Reserves*

As at the end of the Reporting Period, total equity of the Group amounted to RMB2,271.4 million, representing an increase of RMB51.0 million or 2.3% 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:

| | **June 30, 2023** | | December 31, 2022 | | **Changes** |
|---|---|---|---|---|---|
| | ***RMB'000*** | ***% of total*** | *RMB'000* | *% of total* | |
| Share capital | **1,333,334** | **58.7%** | 1,333,334 | 60.0% | 0.0% |
| Reserves | **938,074** | **41.3%** | 887,086 | 40.0% | 5.7% |
| **Total equity** | **2,271,408** | **100.0%** | 2,220,420 | 100.0% | 2.3% |

## 4. CAPITAL EXPENDITURES

During the Reporting Period, the capital expenditure of the Group was RMB1.3 million, primarily including expenditures for 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 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 control, in order to better empower the business, we further optimized and iterated the existing two-dimensional rating model of "asset credit+subject credit". Among them, the asset credit rating model evaluates income generation, value preservation, controllability, and liquidity based on the characteristics of different products, strengthens the management of asset risks, and mainly evaluates the degree of guarantee of the leased property for creditor's rights; In addition, we further optimized the rating of intellectual property assets, evaluating intellectual property leased properties from five dimensions: enterprise innovation, patent acquisition rate, patent importance, patent conversion cycle, and maximum remaining life. For the subject credit rating model, we have set up three sub models based on the characteristics of innovative enterprises at different development stages: start-up growth, high-speed growth, and stable growth. We have further upgraded and optimized the model, focusing on capital recognition ability, fundraising ability, market environment, asset operation ability, enterprise management ability, technology/product development ability, and differentiated competitiveness evaluate market development capabilities and other dimensions, and separately list the significant potential risks of innovative enterprises. Utilize investment banking thinking to truly tap into customer value and growth potential. The optimized rating system has reshaped the current internal rating system, continuously improving the model's scientific and refined risk characterization ability, and providing technical support for project decision-making. We have further strengthened the application of rating results in multiple scenarios such as credit management, project pricing, project approval, post lease management, customer grading, and process optimization. In addition, we have creatively established a credit evaluation model for technology small and micro enterprises, which evaluates technology small and micro enterprises from four dimensions: historical credit, capital market attention, management team situation, and business operation, in order to deeply explore small and micro customers with great development potential.

**Comprehensive Due Diligence System.**

Our project due diligence system comprehensively considers the operating risk, credit 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 Loan Prime Rate (the "**LPR**") and the benchmark interest rate of the People's Bank of China.

### *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.

During the Reporting Period, 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.

### *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 at the end of the Reporting Period, the Group held loans and receivables of RMB6,233.6 million pledged to secure borrowings, and cash of RMB60.4 million pledged for bank acceptances, factorings and asset-backed securities.

## 7. MATERIAL INVESTMENTS, ACQUISITIONS AND DISPOSALS

During the Reporting Period, the Group had no significant investment and significant acquisition or disposal of subsidiaries, associates and joint ventures.

## 8. HUMAN RESOURCES

### *8.1 Staff costs*

During the Reporting Period, the staff costs of the Group amounted to approximately RMB37.1 million (the corresponding period of last year: approximately RMB32.6 million), which comprised salaries, bonuses, social insurance, cash-settled share-based payments, employee benefits and staff training.

### *8.2 Staff Structure*

As of June 30, 2023, the Group had a total of 137 employees (As of December 31, 2022: 132), with approximately 100.0% of our staff holding bachelor's degrees or above, and approximately 64.23% holding master's degrees or above (49 employees obtained bachelor's degrees, 85 employees obtained master's degrees and 3 employees obtained doctor's degrees). Approximately 19.7% (27 employees) have intermediate professional titles or above; and approximately 5.1% (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 43.8% of our employees (60 employees) have been worked for the Group for over five years. We did not experience any material labor disputes during the Reporting Period.

### *8.3 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 up to the end of the Reporting Period, the Group did not adopt any share option scheme.

### *8.4 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.

### *8.5 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 at the end of the Reporting Period, 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 June 30, 2023** | As of December 31, 2022 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Credit commitments[1] | **45,168** | 100,000 |
| Capital commitments[2] | **124,440** | 124,440 |

*Notes:*

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

(2) As at the end of the Reporting Period, 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 of the Company dated December 31, 2019:

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

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

| **Use of proceeds** | **Amounts expected to be utilized as disclosed in the prospectus** *(RMB in million)* | **Utilized amount** *(RMB in million)* | **Unutilized amount** *(RMB in million)* | **Expected time of use** |
|---|---|---|---|---|
| Expansion of our business operations | 284.0 | 284.0 | – | N/A |
| Improvement of our information systems | 40.6 | 25.9 | 14.7 | To be gradually used until 2023 |
| Recruitment of talents | 40.6 | 40.6 | – | N/A |
| Replenishment of 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 PRACTICE

The Company has adopted the Corporate Governance Code (the "**CG Code**") as contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") as its own code of corporate governance. The Company has committed to maintaining high standards of corporate governance in order to safeguard the interests of the shareholders 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. MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

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》) (the "**Code of Dealing**") as the code of conduct of the securities transactions carried out by the 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.

Specific enquiry has been made with the Directors and Supervisors, and they have confirmed their compliance with the required standards set out in the said Code of Dealing during the Reporting Period.

## 3. INTERIM DIVIDEND

The Board does not recommend to declare any interim dividends for the six months ended June 30, 2023 (2022 interim: Nil).

## 4. AUDIT COMMITTEE

The Audit Committee consists of five members, being Mr. WU Tak Lung, Mr. CHENG Dongyue and Ms. LIN Zhen, independent non-executive Directors, Ms. WANG Sujuan and Mr. DU Yunchao, non-executive Directors. The Audit Committee is chaired by Mr. WU Tak Lung who has a professional qualification in accountancy as required by the Listing Rules.

The Audit Committee has discussed with the management and the external auditor and reviewed the unaudited interim consolidated financial statements of the Group for the six months ended June 30, 2023 and the interim results. In addition, KPMG, the external auditor of the Company, has independently reviewed the unaudited interim consolidated financial statements of the Group for the six months ended June 30, 2023.

## 5. PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the Reporting Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company.

## 6. MATERIAL LEGAL, LITIGATION AND ARBITRATION MATTERS

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

## 7. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

The Group did not have any significant events subsequent to the end of the Reporting Period.

## 8. PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This announcement was published on the website of the Stock Exchange (www.hkexnews.hk) and on the website of the Company (www.zgclease.com). 2023 interim 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 announcement was prepared in both Chinese and English versions, where there is a discrepancy between the Chinese and English versions, the English version shall prevail.

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

Beijing, the PRC, August 18, 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, Ms. WANG Sujuan 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.*