



中關村科技租賃股份有限公司

ZHONGGUANCUN SCIENCE-TECH LEASING CO., LTD.

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

Stock Code: 1601



2023
INTERIM REPORT



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

Corporate Information

BOARD OF DIRECTORS

Non-executive Directors

Mr. ZHANG Shuqing (*Chairman*)
Mr. LOU Yixiang
Ms. WANG Sujuan
Mr. DU Yunchao

Executive Directors

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

Independent Non-executive Directors

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

BOARD OF SUPERVISORS

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

COMPANY SECRETARY

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

AUTHORISED REPRESENTATIVES UNDER THE LISTING RULES

Mr. HE Rongfeng
Mr. HUANG Wen

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

RISK CONTROL COMMITTEE

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE

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

Corporate Information

REGISTERED OFFICE

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No. 2 Lizezhong 2nd Road
Chaoyang District, Beijing
PRC

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN CHINA

Floor 5 & 6, Suite 7, Courtyard 2
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Haidian District, Beijing
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40th Floor, Dah Sing Financial Centre
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Wanchai
Hong Kong

PRINCIPAL BANKS

Bank of Communications

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

China Everbright Bank

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

Bank of Jiangsu

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No.6 Zhongguancun South 3rd Street,
Haidian District, Beijing
PRC

AUDITOR

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

LEGAL ADVISOR

As to Hong Kong Law

Patrick Mak & Tse Solicitors
Flat 901-905,9/F,Wing On Centre,
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Hong Kong

As to PRC Law

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

H SHARE REGISTRAR

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183 Queen's Road East, Wanchai
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STOCK CODE

1601

WEBSITE

www.zgclease.com

Corporate Profile

Zhongguancun Science-Tech Leasing Co., Ltd. (Stock Code: 1601.HK), established in Beijing in November 2012, is a listed platform under the ZGC Group. Over the past decade, the Company has been dedicated to “discovering and cultivating unicorn companies to help science and technology entrepreneurs achieve their dreams”. We focus on providing equipment lease, intellectual property lease, equity investment and industry and finance integration solutions for the domestic science and technology innovation enterprises of high growth. We leveraged both technological innovation and product innovation as dual drivers, establishing a distinctive competitive edge.

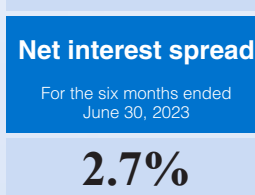
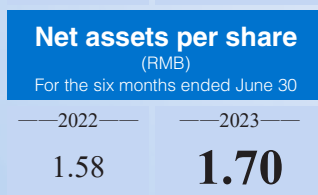
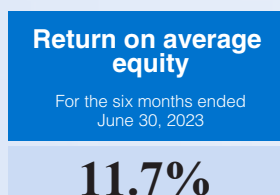
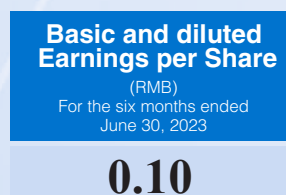
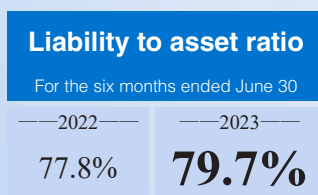
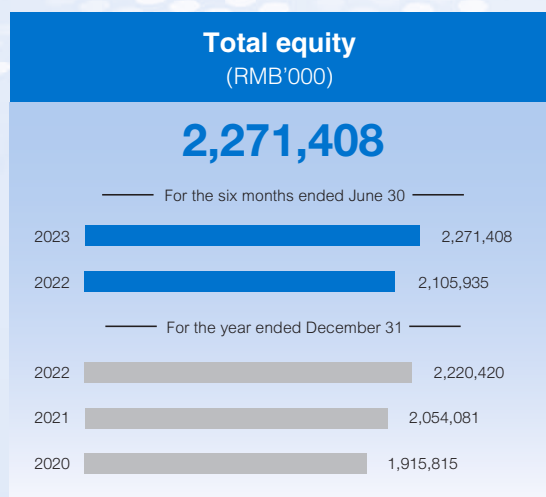
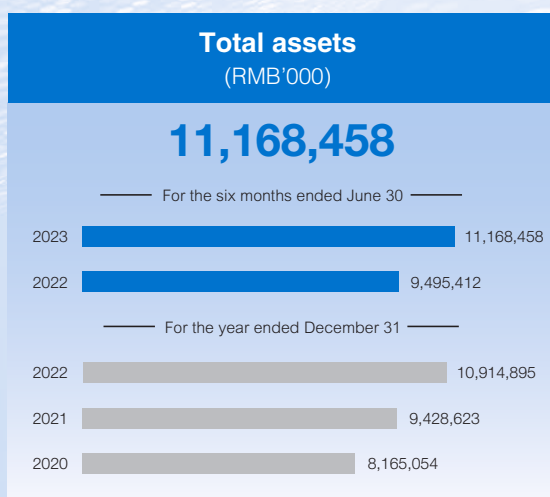
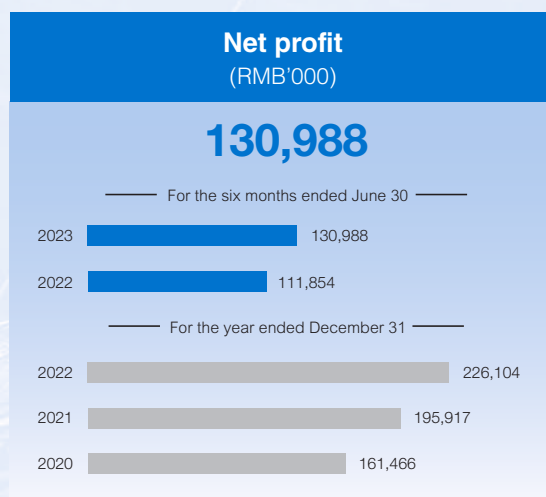
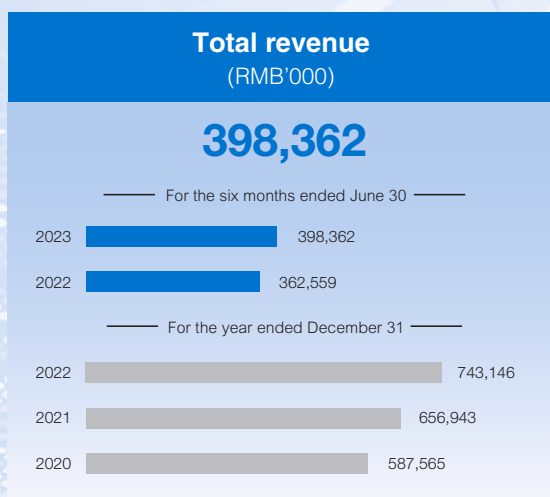
Drawing upon profound insights into the fields of artificial intelligence, carbon peak and carbon neutrality, healthcare and medical services, intelligent manufacturing and consumer upgrading, and with our “credit and value discovery” core technology, we innovatively developed a credit evaluation system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

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

Reflecting on our journey of progress, as of June 30, 2023, we have extended financing services to over 2,000 science and technology innovation enterprises, with an aggregate financing capital surpassing RMB40 billion. We have pioneered the “Zhongguancun Science-Tech Leasing Development Model”.

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

Key Financials



Management Discussion and Analysis

	For the six months ended		For the year ended		
	June 30,		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.

Management Discussion and Analysis

	For the six months ended		For the year ended		
	June 30,		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.

Management Discussion and Analysis

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

Management Discussion and Analysis

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.

Management Discussion and Analysis

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.

Management Discussion and Analysis

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,				Changes
	2023		2022		
	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⁾ RMB'000	Interest income RMB'000	Average yield of interest- earning assets ⁽²⁾ %	Amount RMB'000	Interest income RMB'000	Average yield of interest- earning assets %
Total	10,025,786	330,962	6.5%	8,865,856	299,304	6.8%

Management Discussion and Analysis

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.

Management Discussion and Analysis

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,		2022		Changes
	2023				
	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,		2022		Changes
	2023				
	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%

Management Discussion and Analysis

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:

Borrowings ⁽¹⁾	For the six months ended June 30,					
	Amount ⁽²⁾ RMB' 000	2023	Average	2022		Average cost
		Interest expense RMB' 000	cost ⁽³⁾	Amount	Interest expense 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.

Management Discussion and Analysis

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 RMB'000	2022 RMB'000	Changes
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.

Management Discussion and Analysis

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%

Management Discussion and Analysis

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,				Changes
	2023		2022		
	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.

Management Discussion and Analysis

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

	For the six months ended June 30,		
	2023 RMB' 000	2022 RMB'000	Changes
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.

Management Discussion and Analysis

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.

Management Discussion and Analysis

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%

Management Discussion and Analysis

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 RMB'000	As of December 31, 2022 RMB'000	Changes
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%

Management Discussion and Analysis

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.

Management Discussion and Analysis

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.

Management Discussion and Analysis

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.

Management Discussion and Analysis

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.

Management Discussion and Analysis

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.

Management Discussion and Analysis

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.

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

	Stage 1	Stage 2	Stage 3	Total
	12-month ECL balance RMB'000	Lifetime ECL Not credit-impaired RMB'000	Credit-impaired 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

Management Discussion and Analysis

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.

Management Discussion and Analysis

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.

Management Discussion and Analysis

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.

Management Discussion and Analysis

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.

Management Discussion and Analysis

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.

Management Discussion and Analysis

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.

Management Discussion and Analysis

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.

Management Discussion and Analysis

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.

Management Discussion and Analysis

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.

Management Discussion and Analysis

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.

Management Discussion and Analysis

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.

Management Discussion and Analysis

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.

Management Discussion and Analysis

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 RMB' 000	As of December 31, 2022 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.

Management Discussion and Analysis

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.

Management Discussion and Analysis

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	Utilized amount (RMB in million)	Unutilized amount (RMB in million)	Expected time of use
	(RMB in million)			
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 CG Code as contained in Appendix 14 to the Listing Rules as its own code of corporate governance. The Company has committed to maintaining high standards of corporate governance in order to safeguard the interests of the Shareholders and enhance the corporate value and accountability of the Company.

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

2. 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》) as the code of conduct of the securities transactions carried out by our Directors, Supervisors, senior management and personnel with inside information. The terms of which are not less exacting than the Model Code.

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

3. INTERIM DIVIDEND

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

Other Information

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 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. CHANGES OF INFORMATION OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE

Mr. WU Tak Lung has resigned as the independent non-executive director of Minth Group Limited since May 31, 2023 and Sinomax Group Limited since June 28, 2023.

The qualification of Ms. WANG Sujuan as a non-executive Director took effect from June 6, 2023 until the expiration of the term of the second session of the Board. Ms. WANG Sujuan also took office as a member of Audit Committee of the Company from June 6, 2023 until the expiration of the term of the second session of the Board.

The qualification of Mr. DU Xiaoming as a shareholder representative Supervisor took effect from June 6, 2023 until the expiration of the term of the second session of the Board of Supervisors.

Saved as disclosed above, the Company is not aware of other changes in the information of each Director, Supervisor and the general manager of the Company since publication of its 2022 Annual Report that is required to be disclosed under Rule 13.51B(1) of the Listing Rules.

Other Information

6. 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.

7. INTERESTS AND SHORT POSITION OF THE DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES IN SHARES, UNDERLYING SHARES AND DEBENTURES

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

Other Information

8. INTERESTS AND SHORT POSITION OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES

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

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

Other Information

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

Notes:

- (1) As at the end of the Reporting Period, the Company has issued a total number of 1,333,334,000 Shares, comprising 840,000,000 Domestic Shares and 493,334,000 H Shares. (L) represents long position.
- (2) ZGC Finance directly holds 640,000,000 Domestic Shares. ZGC Group is deemed to be interested in entire Domestic Shares held by ZGC Finance, its wholly-owned subsidiary, under the SFO. As ZGC Group is owned as to 45.4% by Beijing SCOMC, Beijing SCOMC is deemed to be interested in entire Domestic Shares held by ZGC Finance under the SFO.
- (3) Chaoyang SCOMC directly holds 100,000,000 Domestic Shares. Chaoyang SCOMC is also deemed to be interested in 100,000,000 Domestic Shares held by Wangjing Development, its wholly-owned subsidiary, under the SFO.
- (4) Under the SFO, Nanshan Group Co., Ltd. (南山集團有限公司) is deemed to be interested in the entire interest held by Nanshan Capital its wholly-owned subsidiary. As Nanshan Group Co., Ltd. is owned as to 51% by Nanshan Villagers' Committee of Dongjiang County, Longkou City (龍口市東江鎮南山村村民委員會) and 49% by Mr. SONG Zuowen (宋作文), respectively, under the SFO, each of Nanshan Villagers' Committee of Dongjiang County, Longkou City and Mr. SONG Zuowen is deemed to be interested in the entire interest held by Nanshan Group Co., Ltd.

Other Information

- (5) Under the SFO, China Communications Construction Group Limited (中國交通建設集團有限公司) is deemed to be interested in the entire interest held by CCCG (HK) Holding Limited (中交集團(香港)控股有限公司), its wholly-owned subsidiary.
- (6) United Crystal Limited is a wholly-owned subsidiary of Beijing Enterprises Water Group Limited (北控水務集團有限公司), which is owned as to 41.13% by Beijing Enterprises Environmental Construction Limited (北控環境建設有限公司), a wholly-owned subsidiary of Beijing Enterprises Holdings Limited. Beijing Enterprises Holdings Limited is held as to 7.93% by Modern Orient Limited, a wholly-owned subsidiary of Beijing Enterprises Investment Limited, which is held as to 72.72% by Beijing Enterprises Group (BVI) Company Limited. Beijing Enterprises Investment Limited also directly holds 12.97% of the equity interest of Beijing Enterprises Holdings Limited. As a wholly-owned subsidiary of Beijing Enterprises Group Company Limited, Beijing Enterprises Group (BVI) Company Limited directly and indirectly holds 61.96% of the equity interest of Beijing Enterprises Holdings Limited. Each of Beijing Enterprises Water Group Limited, Beijing Enterprises Environmental Construction Limited, Beijing Enterprises Investments Limited, Morden Orient Limited, Beijing Enterprises Holdings Limited, Beijing Enterprises Group (BVI) Company Limited and Beijing Enterprises Group Company Limited is therefore deemed to be interested in H Shares held by United Crystal Limited under the SFO.
- (7) Under the SFO, Beijing Haidian State-owned Capital Operation Company Limited (北京市海淀區國有資本運營有限公司) is deemed to be interested in the entire interest held by Beijing Zhongguancun Science City Innovation and Development Co., Ltd. (北京中關村科學城創新發展有限公司), its wholly-owned subsidiary.
- (8) Superior Far East (China) Holdings Limited (佳和控股有限公司) is wholly owned by Superior Far East International Holdings Limited, which is wholly owned by Mr. HU Daosheng. Under the SFO, each of Superior Far East International Holdings Limited and Mr. HU Daosheng is therefore deemed to be interested in H Shares held by Superior Far East (China) Holdings Limited.

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

9. MATERIAL LEGAL, LITIGATION AND ARBITRATION MATTERS

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

10. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

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

Independent Auditor's Report

Review report to the board of directors of Zhongguancun Science-Tech Leasing Co., Ltd.

(Incorporated in the People's Republic of China (the "PRC") with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 51 to 85 which comprises the consolidated statement of financial position of Zhongguancun Science-Tech Leasing Co., Ltd. (the "**Company**") and its consolidated structured entities (the "**Group**") as at June 30, 2023, the related consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the condensed consolidated cash flow statement for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, Interim financial reporting, issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review 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. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independent Auditor's Report

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at June 30, 2023 is not prepared, in all material respects, in accordance with International Accounting Standard 34, Interim financial reporting.

KPMG

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

August 18, 2023

Consolidated Statement of Profit or Loss

For the six months ended June 30, 2023 – Unaudited
(Expressed in Renminbi (“RMB”))

	Note	Six months ended June 30,	
		2023 RMB' 000	2022 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

The notes on pages 59 to 85 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in Note 17.

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 RMB' 000	2022 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

The notes on pages 59 to 85 form part of this interim financial report.

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
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

The notes on pages 59 to 85 form part of this interim financial report.

Consolidated Statement of Financial Position

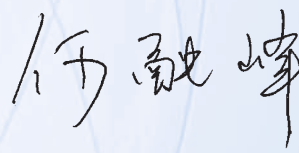
As at June 30, 2023 – Unaudited
(Expressed in RMB)

	Note	June 30, 2023 RMB'000	December 31, 2022 RMB'000
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

Approved and authorised for issue by the board of directors on August 18, 2023.



ZHANG Shuqing
Chairman



HE Rongfeng
General manager

The notes on pages 59 to 85 form part of this interim financial report.

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

The notes on pages 59 to 85 form part of this interim financial report.

Consolidated Statement of Changes in Equity

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

Note	Attributable to equity shareholders of the Company						
	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, 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

The notes on pages 59 to 85 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

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

	Note	Six months ended June 30,	
		2023 RMB' 000	2022 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

The notes on pages 59 to 85 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

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

	Note	Six months ended June 30,	
		2023 RMB' 000	2022 RMB'000
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

The notes on pages 59 to 85 form part of this interim financial report.

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. KPMG’s independent review report to the board of directors is included on pages 49 to 50.

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

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.

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

2 CHANGES IN ACCOUNTING POLICIES (continued)

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

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.

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

3 REVENUE (continued)

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

	Note	Six months ended June 30,	
		2023 RMB' 000	2022 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.

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

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

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

6 OPERATING EXPENSE (continued)

(b) Other items

	Six months ended June 30,	
	2023 RMB' 000	2022 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

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

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

8 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

		Six months ended June 30,	
	Note	2023 RMB' 000	2022 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.

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

10 PROPERTY AND EQUIPMENT

	Properties leased for own use carried at cost RMB'000	Electronic equipment RMB'000	Office equipment RMB'000	Others RMB'000	Total RMB'000
Cost					
As at January 1, 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

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

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.

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

11 LOANS AND RECEIVABLES (continued)

Loans and receivables by nature: (continued)

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

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

11 LOANS AND RECEIVABLES (continued)

(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

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

11 LOANS AND RECEIVABLES (continued)

(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

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

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

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

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

(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 RMB'000	Revaluation of FVTPL RMB'000	Revenue with EIT paid in prior years RMB'000	Revaluation of Equity Investments RMB'000	Allowance for impairment losses RMB'000	Accrued staff costs RMB'000	Right-of-use assets RMB'000	Lease liabilities RMB'000	Total RMB'000
January 1, 2022	(2,246)	-	8,873	(4,850)	58,864	5,997	-	-	66,638
Charged to profit or loss	-	(153)	542	(3,424)	12,395	(77)	-	-	9,283
Charged to other comprehensive income	(78)	-	-	-	-	-	-	-	(78)
December 31, 2022	(2,324)	(153)	9,415	(8,274)	71,259	5,920	-	-	75,843
Change in accounting policy	-	-	-	-	-	-	(8,151)	8,151	-
January 1, 2023	(2,324)	(153)	9,415	(8,274)	71,259	5,920	(8,151)	8,151	75,843
Charged to profit or loss	-	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

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

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

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

15 BORROWINGS (continued)

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

	June 30, 2023 RMB' 000	December 31, 2022 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%

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

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.

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

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.

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

17 CAPITAL RESERVES AND DIVIDENDS (continued)

(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.

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

17 CAPITAL RESERVES AND DIVIDENDS (continued)

(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

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

18 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

	December 31, 2022			Total
	Level 1	Level 2	Level 3	
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.

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

18 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

Information about Level 3 fair value measurements (continued)

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

	June 30, 2023 RMB'000	December 31, 2022 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.

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

20 MATERIAL RELATED PARTY TRANSACTIONS

(a) Transactions with key management personnel

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

(b) Transaction amounts with related parties:

	Six months ended June 30,	
	2023 RMB' 000	2022 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	—

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

20 MATERIAL RELATED PARTY TRANSACTIONS (continued)

(c) The balances of transactions with related parties:

	June 30, 2023 RMB'000	December 31, 2022 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).

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

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 RMB' 000	December 31, 2022 RMB'000
Total carrying amount of liabilities for SARs	832	646
Total intrinsic value of liabilities for vested benefits	—	—

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

22 SHARE-BASED PAYMENT ARRANGEMENTS (continued)

(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.

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

22 SHARE-BASED PAYMENT ARRANGEMENTS (continued)

(c) Reconciliation of outstanding SARs

The number and exercise price of SARs are as follows:

	Number of SARs	Exercise price
Outstanding at January 1, 2023	4,223,333	RMB1
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).

Definitions

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

“ABS”	assets-backed securities
“Articles” or “Articles of Association”	the articles of association of the Company
“Audit Committee”	the audit committee of the Company
“Beijing SCOMC”	Beijing State-owned Capital Operation and Management Company Limited (北京國有資本運營管理有限公司), a company incorporated under the laws of the PRC with limited liability on December 30, 2008 and also one of the Controlling Shareholders
“Board”	the board of Directors
“Board Committees”	collectively, Audit Committee, Remuneration Committee, Nomination Committee, Risk Control Committee and Environmental, Social and Governance Committee
“Board of Supervisors”	the board of supervisors of the Company
“CG Code”	the “Corporate Governance Code” as contained in Appendix 14 to the Listing Rules
“Chairman”	the chairman of the Board
“Chaoyang SCOMC”	Beijing Chaoyang State-owned Capital Operation and Management Center (北京市朝陽區國有資本經營管理中心), a state-owned enterprise established under the laws of the PRC on May 27, 2009 and also a substantial shareholder of the Company
“China” or “PRC”	the People’s Republic of China, which for the purpose of this interim report and for geographical reference only, excludes Hong Kong, Macau and Taiwan
“close associate”	has the meaning ascribed to it in the Listing Rules
“Company”, “Group” or “we”	Zhongguancun Science-Tech Leasing Co., Ltd. (中關村科技租賃股份有限公司), a joint stock company incorporated under the laws of the PRC with limited liability on August 16, 2019, or its predecessor

Definitions

“Controlling Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules and unless the context requires otherwise, refers to Beijing SCOMC, ZGC Group and ZGC Finance
“Director(s)”	the director(s) of the Company
“Domestic Shares”	ordinary shares issued by the Company, with a nominal value of RMB1.00, which are subscribed for or credited as paid in RMB
“Environmental, Social and Governance Committee”	the environmental, social and governance committee of the Company
“H Share(s)”	overseas listed foreign shares in the ordinary share capital of the Company with a nominal value of RMB1.00 each, which are subscribed for and traded in HK dollars and listed on the Stock Exchange
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing”	listing of the H Shares on the Main Board of the Stock Exchange
“Listing Date”	January 21, 2020, on which the H Shares are listed and from which dealings therein are permitted to take place on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
“Model Code”	the “Model Code for Securities Transactions by Directors of Listed Issuers” set out in Appendix 10 to the Listing Rules
“Nanshan Capital”	Nanshan Group Capital Investment Co., Ltd. (南山集團資本投資有限公司), a company incorporated under the laws of the PRC with limited liability on November 18, 2011 and also a shareholder of Domestic Shares
“Nomination Committee”	the nomination committee of the Company
“PBOC”	People’s Bank of China (中國人民銀行), the central bank of the PRC

Definitions

“Remuneration Committee”	the remuneration committee of the Company
“Reporting Period”	the period from January 1, 2023 to June 30, 2023
“Risk Control Committee”	the risk control committee of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) of RMB1.00 each in capital of the Company, comprising the Domestic Shares and the H Shares
“Shareholder(s)”	holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supervisor(s)”	the supervisor(s) of the Company
“Wangjing Development”	Beijing Chaoyang District Wangjing Xinxing Industry Zone Comprehensive Development Company (北京望京新興產業區綜合開發有限公司), a company incorporated under the laws of the PRC with limited liability on July 11, 1994, which is wholly owned by Chaoyang SCOMC and also a shareholder of Domestic Shares
“ZGC Finance”	Beijing Zhongguancun Finance Group Co., Ltd. (北京中關村科技創業金融服務集團有限公司), a company incorporated under the laws of the PRC with limited liability on February 24, 2009 and also one of the Controlling Shareholders
“ZGC Group”	Zhongguancun Development Group Co., Ltd. (中關村發展集團股份有限公司), a company incorporated under the laws of the PRC with limited liability on March 31, 2010 and also one of the Controlling Shareholders
“%”	per cent