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

2020 INTERIM REPORT

Contents

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

Corporate Profile

Zhongguancun Science-Tech Leasing Co., Ltd. is a pioneer in serving technology and new economy industries in China, and is dedicated to providing technology and new economy companies with efficient finance lease and financial service solutions that enable integration of investment and leasing in order to satisfy technology and new economy companies' needs for financial services at different development stages. We focus on big data, eco-solutions, life sciences & healthcare, intelligent manufacturing, internet-based products & services and other strategic and emerging industries, and provide our customers with customized, integrative and distinctive leasing products, solutions and value-added services to our customers, thereby facilitating the growth of our customers and achieving mutual development.

Since its establishment in 2012, Zhongguancun Science-Tech Leasing Co., Ltd. focuses on the original purpose of leasing, adheres to the customer-oriented model, continuously explores the innovation in finance leasing products and services, and firstly introduces the business model of "science-technology leasing". Based on the traditional forms of direct lease and sale-and-leaseback, we carry out research and development on project leasing, sales type leasing, service type leasing, merger leasing and other featured products, and fully utilize the advantages of science-technology leasing in mid to long-term financing, product promotion, business model optimization and capital operation to meet the demand for customized financing of technology and new economy companies. We deeply explore the value of "lease+" to satisfy technology and new economy companies' needs for diverse financial services at different stages of their growth. We are well aware that in order to facilitate the development of technology and new economy companies, we need to solve their financing problems while creating growth drivers for the companies. Based on customers' needs, in addition to leasing services, we also provide distinctive value-added services. In particular, our policy advisory and management and business consulting services may facilitate the customers in improving their management and obtaining policy-based subsidies, and our "Science-Tech Leasing Business School" has created a platform for training, communication and cooperation among customers, which enables efficient and precise matching of resources, thereby activating the internal growth drivers of technology and new economy companies.

Corporate Profile

We value the growth potential of technology and new economy companies and take the lead in establishing the “asset credit rating model and the subject growth potential rating model”. With the focus on big data, eco-solutions, life sciences & healthcare, intelligent manufacturing and internet-based products & services, we provide support to many technology and new economy companies which are generally rejected by traditional financial institutions. Meanwhile, we also achieve continuous breakthrough and maintain a favourable trend of business development with numerous prestigious national awards over the years, and were successfully listed on the Stock Exchange in January 2020 which opened a new chapter in our development.

By staying committed to our founding aspirations, we will continue to put our efforts in serving technology and new economy companies and carry out in-depth development in “lease+” sector, thereby facilitating technological innovation with intelligent innovation. We will also adhere to our mission and assume the responsibilities as a state-owned enterprise, promote the integration between technology and financial services, and help tech innovators realize their entrepreneurial dreams, thereby facilitating high quality development and empowering technology and new economy companies with innovative technology and financial services.

Corporate Information

BOARD OF DIRECTORS

Non-executive Directors
Mr. DUAN Hongwei *(Chairman)*
Mr. LOU Yixiang
Mr. ZHANG Shuqing
Mr. LI Peng

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

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

AUDIT COMMITTEE

Mr. WU Tak Lung *(Chairman)*
Mr. CHENG Dongyue
Ms. LIN Zhen
Mr. LOU Yixiang
Mr. LI Peng

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

Mr. DUAN Hongwei *(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

BOARD OF SUPERVISORS

Mr. ZHANG Jian
Mr. TIAN Anping
Mr. FANG Fang
Mr. LONG Limin
Mr. TONG Chao
Ms. ZHOU Di
Ms. HAN Nana

COMPANY SECRETARY

Mr. GAO Wei *(FCIS, FCS (PE))*

AUTHORISED REPRESENTATIVES

Mr. HE Rongfeng
Mr. GAO Wei

COMPLIANCE ADVISOR

Guotai Junan Capital Limited
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PRC

Corporate Information

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN CHINA

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40th Floor, Sunlight Tower
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Wanchai
Hong Kong

PRINCIPAL BANKS

Bank of Jiangsu
Room 106, Floor 1, Suit 4, Courtyard 10
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Beijing Economic-Technological
Development Area
Daxing District, Beijing
PRC

China Everbright Bank
Floor 1, Science and Technology Trade
Center Office Building
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Haidian District, Beijing
PRC

Huaxia Bank
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Haidian District, Beijing
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AUDITOR

KPMG
Certified Public Accountant
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LEGAL ADVISORS

As to Hong Kong Law
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1 Connaught Place, Central
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As to PRC Law
King & Wood Mallesons
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H SHARE REGISTRAR

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183 Queen's Road East, Wanchai
Hong Kong

STOCK CODE

1601

WEBSITE

www.zgclease.com

Definitions

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

"Audit Committee"	the audit committee of the Board
"Board"	the board of directors of the Company
"CG Code"	the Corporate Governance Code as contained in Appendix 14 to the Listing Rules
"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 report and for geographical reference only, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"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
"Director(s)"	the director(s) of the Company
"Domestic Share(s)"	the domestic share(s) with a nominal value of RMB1.00 each in the share capital of the Company, which are subscribed for or credited as fully paid in RMB
"end of the Reporting Period"	June 30, 2020
"H Share(s)"	the overseas listed foreign share(s) with a nominal value of RMB1.00 each in the share capital of the Company, 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

Definitions

"Listing Date"	January 21, 2020, on which the H Shares were 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 substantial shareholder of the Company
"PBOC"	People's Bank of China (中國人民銀行), the central bank of the PRC
"Prospectus"	the prospectus of the Company dated December 31, 2019
"RMB"	Renminbi, the lawful currency of the PRC
"Reporting Period"	the period from January 1, 2020 to June 30, 2020
"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)"	collectively, the Domestic Share(s) and the H Share(s)
"Shareholder(s)"	the holder(s) of Share(s)
"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 substantial shareholder of the Company

Definitions

"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 a controlling shareholder of the Company
"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 a controlling shareholder of the Company
"ZGC Investment Center"	Beijing Zhongguancun Development & Investment Center (北京中關村發展投資中心), a company incorporated under the laws of the PRC with limited liability on November 27, 2013 and also a controlling shareholder of the Company
"%"	per cent

Key Financials

	For the six months ended June 30,		For the year ended December 31,		
	2020	2019	2019	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Operating Performance					
Revenue	**284,366**	250,051	515,340	412,783	358,581
Interest income	**232,766**	204,628	420,698	340,571	283,771
Advisory fee income	**51,600**	45,423	94,642	72,212	74,810
Other net income	**7,830**	13,779	18,759	16,331	9,606
Interest expense	**(115,441)**	(105,606)	(220,978)	(168,012)	(155,134)
Operating expense	**(50,257)**	(43,607)	(100,190)	(74,854)	(56,820)
Impairment losses charged	**(25,327)**	(15,549)	(27,768)	(27,364)	(25,969)
Share of losses of associates	**(935)**	–	(265)	–	–
Net foreign exchange gains/ (losses)	**3,960**	–	(12)	–	–
Profit before taxation	**104,196**	99,068	184,886	158,884	130,264
Profit for the period/year	**77,931**	74,213	138,256	118,996	97,435
Basic and diluted earnings per share (in RMB)	**0.06**	0.07	0.14	0.12	0.13
Profitability					
Return on average equity[1]	**9.7%**	11.4%	10.3%	9.6%	10.6%
Return on average assets[2]	**2.2%**	2.4%	2.1%	2.2%	2.0%
Net interest margin[3]	**3.6%**	3.5%	3.4%	3.6%	3.1%
Net interest spread[4]	**2.5%**	2.3%	2.2%	2.4%	2.2%
Net profit margin[5]	**27.4%**	29.7%	26.8%	28.8%	27.2%

Notes:

(1) Calculated by dividing 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 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, presented on an annualized basis.

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

Key Financials

	As of June 30,		As of December 31,		
	2020	2019	2019	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets and liabilities					
Total assets	**7,404,287**	6,248,657	6,988,985	5,968,956	4,999,834
Finance lease receivables	**6,598,568**	5,659,404	6,424,127	5,376,794	4,421,144
Total liabilities	**5,572,379**	4,921,623	5,596,729	4,681,195	3,797,118
Borrowings	**3,894,791**	3,600,378	4,158,382	3,319,747	2,612,265
Total equity	**1,831,908**	1,327,034	1,392,256	1,287,761	1,202,716
Net assets per share (in RMB)	**1.37**	1.33	1.39	1.29	1.20
Liquidity					
Liability to asset ratio(1)	**75.3%**	78.8%	80.1%	78.4%	75.9%
Risk asset to equity ratio(2)	**372.0%**	441.7%	480.9%	437.6%	387.6%
Liquidity ratio(3)	**113.2%**	112.4%	117.7%	112.2%	145.5%
Asset quality ratios					
NPA ratio(4)	**1.5%**	1.4%	1.3%	1.3%	1.5%
Allowance coverage ratio for NPAs(5)	**157.6%**	155.4%	158.0%	151.2%	118.0%

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 period/year.

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

(5) 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

Since the first half of 2020, global political and economic environments have been in great uncertainty. In particular, the Coronavirus Disease 2019 (the "**COVID-19**") is spreading all over the world, and the intensified trade frictions among powerful countries led to significant decline in global trade. With the global financial market becoming more vulnerable, the performance of major economies was sluggish. After entering the development stage of new normal, China's economy is shifting to a new dual-cycle pattern dominated by the "domestic economic cycle" at a faster pace.

In response to the downward economic pressure, China implemented active fiscal policies and loose monetary policies to facilitate the development in "new infrastructure", "new consumption" and other relevant industries, which delivered remarkable results in supporting the national economic development. China recorded a year-on-year increase of 3.2% in gross domestic product in the second quarter of 2020, becoming the first major economy to grow since the outbreak of the COVID-19.

With the relatively loose monetary policies in the first half of 2020, finance industry increased its efforts in supporting the real economy, which led to significant increase in the aggregate financing for the economy as compared to the corresponding period of last year. Under the political environment of strict regulation, the scale of total assets in finance lease industry continued to increase but showed a slowdown in overall growth rate. In addition, the promulgation of Interim Measures for Supervision and Administration of Finance Leasing Companies (《融資租賃公司監督管理暫行辦法》), Guidelines for Supervision and Administration of Finance Leasing Companies in Beijing (Trial) (《北京市融資租賃公司監督管理指引(試行)》) and other relevant policies may help regulate the market order, thereby facilitating the industry development.

1.2 Company's Response

In the first half of 2020, based on the general direction set at the beginning of the year, the Group calmly tackled the challenges from the COVID-19 outbreak, continued to serve the five major industries of big data, eco-solutions, life sciences & healthcare, intelligent manufacturing, and internet-based products & services, and further promoted professional development, which led to continuous enhancement of comprehensive strengths and steady increase in operating results. Our main response measures are as follows:

Management Discussion and Analysis

Finance leasing business bucked the weaker trend. We continued to focus on serving technology and new economy companies, and we still maintained the steady increase in business scale and increased the efforts in developing customers in intelligent manufacturing and digital economy sectors in the economic downturn environment. In the first half of 2020, we achieved new lease principle amount of RMB2,150.0 million, representing a growth of 18.1% as compared to that of the corresponding period in 2019, and our revenue amounted to approximately RMB284.4 million, representing a growth of 13.7% as compared to that of the corresponding period in 2019, and our profit before taxation amounted to approximately RMB104.2 million, representing an increase of 5.2% as compared to that of the corresponding period of last year, which maintained a favourable development trend.

The investment business got off to a good start. We set up an equity investment fund, built a “financial lease + investment” platform to help customers develop in an all-round way. In the first half of 2020, our investment fund officially commenced operation, and launched five projects with an investment amount of nearly RMB48.4 million, which greatly improved the comprehensive service ability for customers.

The cost of financing decreased significantly. We optimized the financing structure and established long-term and stable partnership in both direct financing and indirect financing markets by expanding the financing channels, issuing asset-backed securities and carrying out strategic cooperation with banks, to implement various measures to reduce the financing cost, thereby driving the decrease in cost of existing capital. In the first half of 2020, our interest expense yield is 4.6%, representing a decrease of 6.1% as compared to that of the corresponding period of last year.

Asset quality remained stable. We carried out research and development of a two-dimensional asset management model that covers “the asset credit rating and subject growth potential” to improve our performance in asset management. We established a multi-factor rating system to assess the customers in terms of “assets, subject and debts” to control the risks at source. We also adhered to “refined management”, continuously improved the asset monitoring system, gathered information on risk profile of assets and implemented effective classified management.

2. ANALYSIS OF PROFIT OR LOSS

2.1 Overview

During the Reporting Period, the Group realized a total revenue of RMB284.4 million, representing an increase of 13.7% as compared to the total revenue of RMB250.1 million for the corresponding period of last year, and the net profit for the period amounted to RMB77.9 million, representing an increase of 5.0% as compared to the net profit of RMB74.2 million for the corresponding period of last year.

2.2 Revenue

During the Reporting Period, the Group realized a total revenue of RMB284.4 million, representing an increase of 13.7% as compared to the total revenue of RMB250.1 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 RMB232.8 million, accounting for 81.9% of the total revenue and representing an increase of 13.8% as compared to that of the corresponding period of last year. Advisory fee income amounted to RMB51.6 million, representing an increase of 13.6% as compared to that of the corresponding period of last year, which was because the Group actively delivered a variety of advisory value-added services to the customers.

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

	For the six months ended June 30,				
	2020		2019		**Changes**
	RMB'000	**% of total**	RMB'000	% of total	
Interest income	**232,766**	**81.9%**	204,628	81.8%	13.8%
Advisory fee income	**51,600**	**18.1%**	45,423	18.2%	13.6%
Total revenue	**284,366**	**100.0%**	250,051	100.0%	13.7%

2.2.1 Interest Income

The interest income of the Group increased by 13.8% from RMB204.6 million for the corresponding period of last year to RMB232.8 million for the Reporting Period, accounting for 81.9% of the total revenue of the Group, primarily due to the expansion of our business.

The following tables sets forth the amount of average balance of finance lease receivables, interest income and average comprehensive yield of interest-earning assets for the periods indicated:

	For the six months ended June 30,					
	2020			2019		
	Amount[(1)]	Interest income	Comprehensive yield[(2)]	Amount[(1)]	Interest income	Comprehensive yield[(2)]
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Total	6,661,543	232,766	7.0%	5,635,220	204,628	7.3%

Notes:

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

(2) In calculating comprehensive yields for the six months ended June 30, 2019 and 2020, we annualized our interest income by multiplying the interest income in the six months ended June 30, 2019 and 2020, 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 18.2% from RMB5,635.2 million for the corresponding period of last year to RMB6,661.5 million for the Reporting Period, primarily due to the expansion of our business.

Analysis by Comprehensive Yield

During the Reporting Period, the comprehensive yield of the Group was 7.0%, representing a decrease of 0.3% from 7.3% in the corresponding period of last year, mainly because during the Reporting Period, affected by the COVID-19 outbreak, the state implemented a series of policy to reduce the tax and fee, the rent and interest to help enterprises, and the domestic market interest rate showed a downward trend, which led to the slight decrease in comprehensive yield.

2.2.2 Advisory Fee Income

During the Reporting Period, the advisory fee income of the Group increased by 13.6% from RMB45.4 million for the corresponding period of last year to RMB51.6 million for the Reporting Period, accounting for 18.1% of the total revenue of the Group. The increase was mainly due to the increase of the Group's customers.

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

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

	For the six months ended June 30,				
	2020		2019		**Changes**
	RMB'000	**% of total**	RMB'000	% of total	
Policy advisory fee income	**37,488**	**72.7%**	36,838	81.1%	1.8%
Management advisory fee income	**14,112**	**27.3%**	8,585	18.9%	64.4%
Total advisory fee income	**51,600**	**100.0%**	45,423	100.0%	13.6%

2.3 Interest Expense

During the Reporting Period, the interest expense of the Group amounted to RMB115.4 million, representing an increase of 9.3% as compared to RMB105.6 million for the corresponding period of last year, which was mainly because with the rapid growth in finance lease business, the Group increased the investment in financing to support its business development. In response to the constantly changing economic and capital market environment, the Group adhered to its flexible and diverse funding strategy, continued to deepen the cooperation with financial institutions, strengthened the communication with credit rating agencies and investors, and strived to effectively control the finance costs in a reasonable manner. It also optimized the financing structure by increasing the proportion of direct financing and continuously exploring new financing channels.

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

	For the six months ended June 30,				
	2020		2019		Changes
	RMB'000	% of total	RMB'000	% of total	
Commercial banks	43,779	37.9%	39,507	37.4%	10.8%
Borrowings from related parties[1]	23,786	20.6%	37,679	35.7%	(36.9%)
Asset-backed securities	25,309	21.9%	10,151	9.6%	149.3%
Imputed on interest-free guaranteed deposits	22,120	19.2%	17,817	16.9%	24.2%
Lease liabilities	447	0.4%	455	0.4%	(1.7%)
Total interest expense	115,441	100.0%	105,606	100.0%	9.3%

Note:

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

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

	For the six months ended June 30,					
	2020			2019		
Borrowings[1]	Average balance[2] RMB'000	Interest expense RMB'000	Average cost[3]	Average balance[2] RMB'000	Interest expense RMB'000	Average cost[3]
Commercial banks	1,878,158	43,779	4.7%	1,633,085	39,507	4.8%
Borrowings from related parties	1,114,286	23,786	4.3%	1,481,714	37,676	5.1%
Asset-backed securities	1,021,272	25,309	5.0%	377,542	10,151	5.4%
Borrowings	4,013,716	92,874	4.6%	3,495,341	87,334	5.0%

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 period indicated.

(3) In calculating average cost for the six months ended June 30, 2019 and 2020, we annualized our interest expense by multiplying the interest expense in the six month ended June 30, 2019 and 2020, respectively, by two, and then divided the annualized interest expense by average balance of borrowings.

During the Reporting Period, the Group held an interest expense cost on borrowings of 4.6%, representing a decrease as compared to the corresponding period of last year, which was mainly due to repayment of high cost loans in hand, interest rate reduction and replacement, as well as the decreased cost of new financing.

2.4 Net Interest Spread and Net Interest Margin

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

	For the six months ended June 30,		
	2020	2019	Changes
	RMB'000	RMB'000	
Interest income	232,766	204,628	13.8%
Interest expenses	(115,441)	(105,606)	9.3%
Net interest income	117,325	99,022	18.5%
Interest income yield(1)	7.1%	7.2%	(1.4%)
Interest expense yield(2)	4.6%	4.9%	(6.1%)
Net interest spread	2.5%	2.3%	8.7%
Net interest margin	3.6%	3.5%	2.9%

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.

During the Reporting Period, the net interest spread of the Group was 2.5%, representing an increase of 0.2% as compared to the corresponding period of last year, which was mainly because the decrease in interest expense yield exceeded the decrease in interest income yield. For details of changes in interest expense yield, please refer to the discussion and analysis in item "2.3 Interest Expense" of this section. While the monthly average balance of interest-bearing liabilities of the Group for the Reporting Period increased by 16.4% as compared to the corresponding period of last year, the monthly average balance of interest-earning assets further increased by 18.2%, which primarily drove the growth rate of interest income higher than that of interest expenses. The net interest income of the Group increased by 18.5% to RMB117.3 million during the Reporting Period from RMB99.0 million in the corresponding period of last year. For the reasons mentioned above, the net interest margin of the Group increased by 0.1 percentage point to 3.6% from 3.5% in the corresponding period of last year.

2.5 Other Net Income

Other net income primarily included the government grant we received from the relevant authorities and interests from the bank deposits. During the Reporting Period, we received other net income of RMB7.8 million, a decrease of 43.2% over the corresponding period of last year, mainly due to the decrease of government subsidies.

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

	For the six months ended June 30,		
	2020	2019	**Changes**
	RMB'000	RMB'000	
Government grants	**5,000**	11,542	(56.7%)
Interests from deposits	**2,480**	1,727	43.6%
Others	**350**	510	(31.4%)
Total other net income	**7,830**	13,779	(43.2%)

2.6 Operating Expense

During the Reporting Period, operating expense of the Group amounted to RMB50.3 million, representing an increase of RMB6.7 million or 15.2% as compared to the corresponding period of last year, which was primarily due to: (i) increase in depreciation and amortization which led to increase in relevant cost of RMB1.3 million; and (ii) increase in non-recurring listing expenses of RMB3.2 million.

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

	For the six months ended June 30,				
	2020		2019		Changes
	RMB'000	% of total	RMB'000	% of total	
Staff cost	32,012	63.7%	31,272	71.7%	2.4%
Rental expense	772	1.5%	979	2.2%	(21.1%)
Service expense	2,961	5.9%	2,892	6.6%	2.4%
Depreciation and amortization	6,352	12.6%	5,040	11.6%	26.0%
Professional service expense	2,692	5.4%	458	1.1%	487.8%
Listing expense	3,199	6.4%	–	0.0%	N/A
Others	2,269	4.5%	2,966	6.8%	(23.5%)
Total operating expense	50,257	100.0%	43,607	100.0%	15.2%

2.7 Impairment Losses Charged

Impairment losses charged primarily related to finance lease receivables and credit commitments of the Group. During the Reporting Period, the expected credit impairment losses of the Group amounted to RMB25.3 million, representing an increase of 62.9% as compared to the expected credit impairment losses of RMB15.5 million for the corresponding period of last year, which was mainly because affected by the macroeconomic conditions, the Group took a prudent approach to assess the macroeconomic conditions in the future and estimate the expected credit losses of interest-earning assets, and made appropriate upward adjustment to the parameters for measurement of expected credit losses.

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

	For the six months ended June 30,		
	2020	2019	**Changes**
	RMB'000	RMB'000	
Finance lease receivables	**25,131**	16,541	51.9%
Credit commitments[(1)]	**196**	(992)	(119.8%)
Impairment losses charged	**25,327**	15,549	62.9%

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 RMB26.3 million, representing an increase of RMB1.4 million or 5.7% as compared to the corresponding period of last year, which was mainly due to the increase in profit before taxation.

During the Reporting Period, the effective income tax rate of the Group was 25.2%.

2.9 Profit for the Period

During the Reporting Period, the profit for the period of the Group amounted to RMB77.9 million, representing an increase of RMB3.7 million or 5.0% as compared to the corresponding period of last year. The increase in profit for the period was mainly because while the revenue of the Group increased by 13.7%, the interest expense and operating expense also increased by 9.3% and 15.2%, respectively, as compared to the corresponding period of last year. For details of changes in revenue, interest expense and operating expense, please refer to the discussion and analysis in items "2.2 Revenue", "2.3 Interest Expense" and "2.6 Operating Expense" of this section.

In summary, faced with the mounting risks and challenges from the global economic environment and the downward pressure of the Chinese economy, the Group has adopted positive measures and achieved steady growth in leasing business revenue and overall stability in leased asset quality. It was expected that with the enhancement of the Group's net capital strength, the further expansion of the leasing business and the improvement of organizational effectiveness and operational quality, the Group's profitability for the year will maintain steady and continuous development in 2020.

2.10 Basic Earnings per Share

During the Reporting Period, the Company's basic earnings per share amounted to RMB0.06, which is lower than that in the corresponding period of last year, due to the increase of capital caused by listing.

3. ANALYSIS OF FINANCIAL POSITION

3.1 Assets (Overview)

As at the end of the Reporting Period, total assets of the Group amounted to RMB7,404.3 million, representing an increase of RMB415.3 million or 5.9% as compared to the end of last year. Finance lease receivables amounted to RMB6,598.6 million, representing an increase of RMB174.4 million or 2.7% as compared to the end of last year. In terms of the asset structure, cash and cash equivalents accounted for 7.1% of total assets, and financial leasing receivables accounted for 89.1% of total assets.

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

	As of June 30, 2020		As of December 31, 2019		Changes
	RMB'000	% of total	RMB'000	% of total	
Finance lease receivables	6,598,568	89.1%	6,424,127	91.9%	2.7%
Pledged and restricted deposits	66,679	0.9%	41,564	0.6%	60.4%
Cash and cash equivalents	522,955	7.1%	252,106	3.6%	107.4%
Other assets	84,789	1.1%	138,284	2.0%	(38.7%)
Deferred tax assets	48,483	0.7%	43,621	0.6%	11.1%
Property and equipment	17,388	0.2%	22,348	0.3%	(22.2%)
Interest in associates	48,580	0.7%	49,515	0.7%	(1.9%)
Financial assets at fair value through other comprehensive income	11,026	0.1%	11,026	0.2%	0.0%
Intangible assets	5,819	0.1%	6,394	0.1%	(9.0%)
Total assets	7,404,287	100.0%	6,988,985	1.3%	5.9%

3.2 *Finance Lease Receivables*

During the Reporting Period, the Group attracted 80 new customers for finance leasing and entered into 147 new contracts. Driven by the expansion of business scale, our financial leasing receivables continued to grow. As at the end of the Reporting Period, net amount of finance lease receivables of the Group amounted to RMB6,598.6 million, representing an increase of 2.7% as compared to the end of last year.

The following table sets forth the breakdown of the Group's finance lease receivables as of the dates indicated:

	As of June 30, 2020 RMB'000	As of December 31, 2019 RMB'000	Changes
Gross amount of finance lease receivables	**7,309,798**	7,122,908	2.6%
Less: Unearned finance income	**(548,469)**	(561,151)	(2.3%)
Net amount of finance lease receivables	**6,761,329**	6,561,757	3.0%
Less: Allowances for impairment losses	**(162,761)**	(137,630)	18.3%
Carrying amount of finance lease receivables	**6,598,568**	6,424,127	2.7%

3.2.1 Maturity Profile of Finance Lease Receivables

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

	As of June 30, 2020		As of December 31, 2019		Changes
	RMB'000	% of total	RMB'000	% of total	
Maturity					
Not later than 1 year	**3,842,410**	**56.8%**	3,556,390	54.2%	8.0%
1 to 2 years	**1,882,370**	**27.8%**	2,039,792	31.1%	(7.7%)
2 to 3 years	**766,988**	**11.3%**	721,545	11.0%	6.3%
Over 3 years	**269,561**	**4.1%**	244,030	3.7%	10.5%
Net amount of finance lease receivables	**6,761,329**	**100.0%**	6,561,757	100.0%	3.0%

As at the end of the Reporting Period, 56.8% of the net amount of finance lease 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 Finance Lease Receivables

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

Lease Receivable Classification

1. Normal. The lessee is able to perform and has been performing its obligations under the lease agreement, and we have no reason to doubt our ability to recover the full amount of the lease receivable. Lease payments related to finance lease receivables under this classification have always been on time or overdue for not more than 30 days.

2. Special mention. The lessee is able to perform and has been performing its obligations under the lease agreement, but there are adverse factors which may negatively impact our ability to recover the full amount of the lease receivable. If the payment is overdue for more than 30 days but not more than 90 days, the leased assets under relevant contract will be classified as special mention or lower.

3. Sub-standard.

   - The lessee has demonstrated clear difficulties in making timely lease payments, and is not able to obtain sufficient funds to pay through its normal course of business; or

   - Lease receivables face impairment risks primarily due to adverse changes in the fair value of the leased assets or due to adverse uncertain macro-economic reasons, or disposal of leased assets could lead to losses.

   Lease payments related to finance lease receivables under this classification are typically overdue for over 90 days but not more than 180 days.

4. Doubtful.

   - The lessee is not able to make full and timely periodic lease payments, leading to significant changes in the value of the lease receivables; or

   - Macro-economic factors have led to material impairment of lease receivables, or the disposal of leased assets would lead to significant losses.

   Lease payments related to finance lease receivables under this classification are typically overdue for over 180 days.

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

Continuously Improving the Leased Asset Process Monitoring Structure to Enable Comprehensive Identification, Assessment and Precise Control of Asset Risks

During the Reporting Period, the Group continued to improve the asset process monitoring structure. For organizational structure, we established a designated post-lease management team to facilitate the implementation of systematic asset management. For routine management, we continuously monitored the quality of accounts receivable of the Company, conducted comprehensive internal inspections periodically, and fully reviewed and continuously optimized the asset process monitoring structure in order to fully monitor the safety of leased assets. We also made active response to the impact from the COVID-19 outbreak, implemented asset classification, provided targeted support to companies affected by the COVID-19 outbreak, and offered discount to real economy companies in order to help relieve the temporary financial pressure faced by these companies. In terms of information monitoring for internet risk, we conducted public sentiment monitoring and risk warning through big data analysis. For customers with signs of risk, we took targeted risk prevention measures in time, and effectively safeguarded the overall stability of asset quality through strong collection, pre-litigation preservation, debt restructuring and increased risk countermeasures.

Focusing on the Original Purpose of Leasing and Deepening the Whole-process Management and Control of Leased Assets

During the Reporting Period, the Company continued to focus on the original purpose of leasing, implemented the concept of "real leasing", and optimized the screening, rating and value management of leased assets through system upgrade. Based on the rating of leased assets, we formulated differentiated management strategies and strengthened the interaction between asset credit rating model and the subject growth potential rating model. We strengthened the leased asset value process management and control to ensure that the value of lease assets effective covers the lease liabilities. We also increased our efforts in post-lease inspection of leased assets to implement the whole-process management and control of leased assets.

Optimizing Risk Disposal Management Structure to Accelerate the Disposal of Non-performing Assets

During the Reporting Period, the Group continued to optimize the risk disposal management structure to accelerate the disposal of non-performing assets and elimination of existing risks. We continued to optimize the risk decision-making mechanism to enhance the efficiency of disposal decisions; adhered to the principles of classified management and targeted breakthrough and managed the existing non-performing projects based on their respective business characteristics on a case-by-case basis to match them with suitable disposal resources; continuously consolidated the legal resources protection structure, actively expanded cooperation in disposal resources and explored the upgrade of judicial resources; optimized work mechanisms and division of labour, and conducted sharing and summing-up in respect of disposal progress; strengthened result-oriented performance assessment and increased assessment incentives; actively explored and expanded channels for disposal of non-performing assets, and expanded traditional and innovative methods and ideas for disposal.

Management Discussion and Analysis

The following table sets forth a breakdown of the Group's finance lease receivables by classifications as of the dates indicated:

	As of June 30, 2020		As of December 31, 2019		Changes
	RMB'000	% of total	RMB'000	% of total	
Normal	6,261,939	92.6%	6,074,976	92.6%	3.1%
Special mention	396,143	5.9%	399,661	6.1%	(0.9%)
Sub-standard	47,396	0.7%	32,394	0.5%	46.3%
Doubtful	55,851	0.8%	54,726	0.8%	2.1%
Loss	–	–	–	–	0.0%
Net amount of finance lease receivables	6,761,329	100.0%	6,561,757	100.0%	3.0%
Non-performing assets	103,247		87,120		
NPA ratio	1.5%		1.3%		

During the Reporting Period, the Group continued to adhere to prudent risk management, implemented comprehensive and stringent risk monitoring and management, and enhanced the core competitiveness of serving technology and new economy companies. In response to the downward pressure from external environment, the Group carried out precise identification, stringent management and control and efficient mitigation of risks, and maintained overall stable asset quality with the proportion of normal assets accounting for 92.6%. However, affected by the COVID-19 outbreak and other relevant factors, the balance of non-performing assets and NPA ratio recorded certain increase as compared to the beginning of the year.

As at the end of the Reporting Period, the assets under special mention accounted to 5.9% of total net amount of finance lease receivables of the Group, representing a decrease of 0.2 percentage point from 6.1% as compared to the end of last year.

3.2.3 Impairment and Allowances for Finance Lease Receivables

The following table sets forth a summary of the Group's allowance for finance lease 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 RMB25.2 million from RMB137.6 million as at the end of last year to RMB162.8 million as at the end of the Reporting Period.

	As of June 30, 2020		As of December 31, 2019	
	RMB'000	**% of total**	RMB'000	% of total
Allowances for Non-performing assets	**60,789**	**37.3%**	58,103	42.2%
Allowances for Normal and special assets	**101,972**	**62.7%**	79,527	57.8%
Total allowance for finance lease receivables	**162,761**	**100.0%**	137,630	100.0%
Non-performing assets	**103,247**		87,120	
Ratio of allowances for impairment losses to finance lease receivables	**157.6%**		158.0%	

As at the end of the Reporting Period, ratio of allowances for impairment losses to finance lease receivables of the Group was 157.6%, which was a decrease of 0.4 percentage point from 158.0% 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, and therefore the Group strives to maintain a stable ratio of allowances for impairment losses to finance lease receivables.

Management Discussion and Analysis

The following table sets forth the breakdown of the Group's allowances measured based on ECL as of the dates indicated. The Group has been closely monitoring the credit quality of finance lease 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 0.5%, 3.3% and 29.4%, respectively, representing an increase of 0.1%, 0.0% and 2.7%, respectively, as compared to the end of last year. The Group has taken a prudent approach to make appropriate upward adjustment to the parameters for measurement of ECL in order to enhance the ratio of allowances to total loans and systematically strengthen the risk resistance capacity of its assets.

	Stage 1	Stage 2	Stage 3	
	12-month ECL balance	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
	RMB'000	RMB'000	RMB'000	RMB'000
June 30, 2020				
ECL rate	**0.5%**	**3.3%**	**29.4%**	**2.4%**
Net amount of finance lease receivables	**6,168,117**	**158,914**	**434,298**	**6,761,329**
Allowance for impairment loss	**(30,079)**	**(5,208)**	**(127,474)**	**(162,761)**
Carrying amount of finance lease receivables	**6,138,038**	**153,706**	**306,824**	**6,598,568**
December 31, 2019				
ECL rate	0.4%	3.2%	26.6%	2.1%
Net amount of finance lease receivables	6,074,976	74,616	412,165	6,561,757
Allowance for impairment loss	(25,391)	(2,422)	(109,817)	(137,630)
Carrying amount of finance lease receivables	6,049,585	72,194	302,348	6,424,127

3.3 Others

As at the end of the Reporting Period, cash and cash equivalents of the Group amounted to RMB523.0 million. The Group retained adequate cash to support business expansion and ensures its liquidity and safety. Restricted deposit of the Group amounted to RMB66.7 million, primarily comprising restricted bank deposits for bank acceptances and factorings.

As at the end of the Reporting Period, the balance of trade and other receivables of the Group amounted to RMB84.8 million, mainly including advance payments to suppliers for purchase of equipment and deductible value-added input tax.

As at the end of the Reporting Period, the balance of deferred tax assets of the Group amounted to RMB48.5 million, which were mainly derived from the temporary difference between net profit and taxable income in the financial report.

As at the end of the Reporting Period, the balance of property and equipment of the Group amounted to RMB17.4 million, mainly including right-of-use assets and office equipment and computers for our employees.

As at the end of the Reporting Period, the balance of interest in associates/joint ventures of the Group amounted to RMB48.6 million, which was the equity investment in 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 Jiangsu Zhongguancun Zhungnuo Xietong Investment Fund (Limited Partnership) (江蘇中關村中諾協同投資基金合夥企業(有限合夥)).

As at the end of the Reporting Period, the balance of financial assets at fair value through other comprehensive income of the Group amounted to RMB11.0 million, which was the strategic equity investment in Beijing Zhongguancun Synergetic Innovation Investment Fund Management Co., Ltd.

As at the end of the Reporting Period, the balance of intangible assets of the Group amounted to RMB5.8 million, mainly including software used in our business operations and risk management functions.

3.4 Liabilities

As at the end of the Reporting Period, total liabilities of the Group amounted to RMB5,572.4 million, representing a decrease of RMB24.4 million or 0.4% as compared to that as at December 31, 2019. In particular, borrowings were the main component of the liabilities of the Group, accounting for 69.9%, representing a decrease to 74.3% as compared to the end of last year.

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

	As of June 30, 2020		As of December 31, 2019		Changes
	RMB'000	% of total	RMB'000	% of total	
Borrowings	3,894,791	69.9%	4,158,382	74.3%	(6.3%)
Trade and other liabilities	1,659,162	29.8%	1,423,853	25.4%	16.5%
Income tax payable	18,426	0.3%	14,494	0.3%	27.1%
Total liabilities	5,572,379	100.0%	5,596,729	100.0%	(0.4%)

3.5 Borrowings

The Group has established long-term and stable partnership in both direct financing and indirect financing markets.

As at the end of the Reporting Period, borrowings of the Group amounted to RMB3,894.8 million, representing a decrease of RMB263.6 million or 6.3% as compared to the end of last year, primarily due to (1) the reduction of financing loans as a result of the global offering of the Company's H Shares at the beginning of the year, and (2) the use of bank acceptance bills and letters of credit to support business launch during the Reporting Period.

With respect to direct financing market, the Group had launched four asset-backed securities programs worth RMB2.81 billion, and actively prepared for the issuance of diversified financing products, such as debt financing vehicles and asset-backed commercial paper.

With respect to indirect financing market, the Group has established long-term and stable cooperative relationship with over 20 commercial banks. Meanwhile, the Group will continue to expand and improve the diversified and multi-layer channels of bank financing, including the cooperation with small and medium banks and foreign banks.

In conclusion, the Group has established and will continue to improve its solid relationships with diverse funding sources. In the future, leveraging on our favorable business performance and growth potential, the Group believes our credit rating will gradually upgrade and competitiveness on funding cost will be further improved.

The following table sets forth a breakdown of the Group's borrowings by funding sources as of the dates indicated. The increase in the proportion of the pledged loans of the Group was mainly due to the increased proportion of long-term bank borrowings. By adjusting the mid to long-term funding structure, the Group continuously optimized the balancing of financial assets and financial liabilities.

	As of June 30, 2020		As of December 31, 2019		**Changes**
	RMB'000	**% of total**	RMB'000	% of total	
Bank loans	**1,708,904**	**43.9%**	1,884,132	45.3%	(9.3%)
– pledged	**1,114,104**	**28.6%**	1,272,332	30.6%	(12.4%)
– unsecured	**594,800**	**15.3%**	611,800	14.7%	(2.8%)
Borrowings from related parties [(1)]					
– pledged	**1,200,000**	**30.8%**	1,200,000	28.9%	0.00%
Asset-backed securities	**985,887**	**25.3%**	1,074,250	25.8%	(8.2%)
Total borrowings	**3,894,791**	**100.0%**	4,158,382	100.00%	(6.3%)

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 RMB1,708.9 million, accounting for 43.9% of the total borrowings, which was slightly lower as compared to the end of last year. The balance of borrowings from related parties accounted for 30.8% of the total borrowings; and the balance of asset-backed securities accounted for 25.3% of the total borrowings, which was generally the same as at the end of last year. To further expand our funding sources, the Group plans to actively explore debt financing products such as asset-backed securities and super short-term commercial paper.

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

	As of June 30, 2020		As of December 31, 2019		Changes
	RMB'000	% of total	RMB'000	% of total	
Current	**2,952,820**	**75.8%**	2,649,676	63.7%	11.4%
Non-current	**941,971**	**24.2%**	1,508,706	36.3%	(37.6%)
Total borrowings	**3,894,791**	**100.0%**	4,158,382	100.0%	(6.3%)

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 75.8% of total borrowings of the Group, representing an increase of 11.4% 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 16.5% from RMB1,423.9 million as at the end of last year to RMB1,659.2 million as at the end of the Reporting Period. This increase was primarily due to the increase of guaranteed deposits from lessees, notes payable and dividends payable.

3.7 Capital and Reserves

As at the end of the Reporting Period, total equity of the Group amounted to RMB1,831.9 million, representing an increase of RMB439.7 million or 31.6% as compared to that as at the end of last year.

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

	As of June 30, 2020		As of December 31, 2019		Changes
	RMB'000	% of total	RMB'000	% of total	
Share capital	1,333,334	72.8%	1,000,000	71.80%	33.3%
Reserves	498,574	27.2%	392,256	28.20%	27.1%
Total equity	1,831,908	100.0%	1,392,256	100.00%	31.6%

4. CAPITAL EXPENDITURES

During the Reporting Period, the capital expenditure of the Group was RMB2.0 million, primarily including expenditures for upgrading information system regarding business operations and risk management, and purchase of office and electronic equipments.

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 companies. While driving the growth of technology and new economy companies with continued efforts, the Group achieved its maximum value.

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

5.1 Credit Risks

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

Firstly, we have strict selection mechanism of industries and customers. We adhered to the constant principles of evaluating industries and customers with strict criteria prior to the project initiation, which marked the first step of credit risk management and control. Our five business project teams continuously researched and monitored the technology and new economy industries they specialized in, formulated customer rating standards that reflect the characteristics of different industries, and further determined the selection policies, due diligence standards and customized service proposals based on the characteristics of the industries. We served selected technology and new economy industries that fit the Chinese policies and with sufficient development space, bright prospects and industrial creditworthiness. Our business project teams quantified each individual customer's ricks and strived to lower our exposures to credit risks with regards to new customers by carefully selecting leased assets and designing finance lease solutions with an eye towards ensuring the quality of finance lease receivables and reducing the possibility of impairments or losses.

Secondly, we have established a comprehensive rating system that makes assessment based on "assets, subjects and debts". The greatest value of technology and new economy companies lies in their growth potentials, which is also an effective guarantee to defuse risks. As such, in the past two years, we have formulated two different subject rating models for service-oriented companies and manufacturing companies as well as the new enterprise model designed for companies with less than two years of operation history. The assessment result of each individual customer has been based on a score that takes into account both quantitative and qualitative factors. In particular, our quantitative factors included size, growth, business operation, profitability, debt repayment and liquidity, while our qualitative factors covered government policy, market size and potential, competitiveness, management capabilities and equity financing. These factors, together with the weights assigned to them, generated a final score for a potential customer. Based on the subject rating, we continued to explore and establish the asset (leased asset) credit rating model, which enabled us to assess the customers based on asset credit rating and subject credit rating.

Thirdly, we have a comprehensive project due diligence structure. Our project due diligence work comprises project due diligence, project assessment and leased asset assessment, and a report for each process will be prepared. The due diligence report is a thorough analysis of each individual customer's project related information, corporate information, financial information, credit history, use of funds, risk assessment and operational recommendations, prepared by our business project teams on the basis of on-site and off-site due diligence investigations. Based on the information collected by our business project teams and included in the project due diligence report, our project assessment team conducted further risk assessments and prepared the project assessment report. For the leased asset report, our asset management team primarily assessed the genuine existence of the leased assets, the reasonableness of their prices and the clarity of their legal ownerships, and further determined whether the leased assets would maintain its value and whether they could be effectively controlled and efficiently disposed of.

Fourthly, we have rigorous project assessment and approval procedures. We have summed up three important experiences. We have adopted a three-vote decision-making mechanism in selecting customers, initiating projects and conducting due diligence investigations. The three-vote decision-making mechanism required business decisions be made by at least three designated senior employees from relevant teams, which scientifically ensured the fairness of our decisions. Specialization is another key feature of our project assessment procedures. Each of our assessment managers was responsible for assessing projects from the industry in which they specialize. The project assessment committee assigned five committee members to assess each lease project, namely the chairman, the industry assessment member, the financial assessment member, the legal assessment member and the comprehensive assessment member. Committee members generally discussed project information and cast votes in open sessions where all of our employees may attend. Such open sessions effectively ensured the openness and fairness of our decisions, and also promoted our employees' understanding of leased projects.

Fifthly, we have a complete post-lease management structure. Our post management structure comprises leased asset management, customer business operation monitoring, lease receivable classifications and disposal of non-performing assets. We have formulated basic criteria for selection of leased assets, carried out leased assets ownership registration with relevant business administrative authorities and placed visible marks. In addition, we required our customers to take out insurance for the leased assets in favour of us, and inspected the operating status of the leased assets on a real time basis. We closely monitored the business operations of our customers through on-site and off-site inspection in an effort to early-detect credit risk indicators and initiate relevant investigation, enabling us to prepare for exit strategies. We also closely monitored the quality of our lease receivables and classified finance lease receivables into five categories, namely normal, special mention, sub-standard, doubtful and loss, in order to make timely response to deteriorated assets. In case of non-performing assets, we promptly initiated leased asset disposal activities, including initiating legal actions, attaching leased assets and selling leased assets on the market to mitigate relevant risks. Our long-term specialized development enabled us to establish a network of readily available potential buyers to dispose of our leased assets at reasonable prices.

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 and the benchmark interest rate of the PBOC.

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 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 finance lease receivables of RMB3,414.2 million pledged to secure borrowings, and cash of RMB66.7 million pledged for bank acceptances, factorings and asset-backed securities.

7. SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

During the Reporting Period, there were no significant investments, material acquisitions or disposals of subsidiaries, associated companies and joint ventures by the Group.

8. HUMAN RESOURCES

8.1 Staff and Remuneration

As of June 30, 2020, the Group had a total of 115 employees (As of December 31, 2019: 110), with approximately 99.1% of our staff holding bachelor's degrees or above, and approximately 60.0% of our staff holding master's degrees or above (45 employees obtained bachelor's degrees; 66 employees obtained master's degrees; and 3 employees obtained doctor's degrees). Approximately 13.9% (16 employees) have intermediate professional titles or above; and approximately 6.1% (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 31.3% of our employees (36 employees) have been worked for the Group for over five years. We did not experience any material labour disputes during the Reporting Period.

During the Reporting Period, the staff costs of the Group amounted to approximately RMB32.0 million (the corresponding period of last year: approximately RMB31.3 million).

8.2 Incentive Schemes

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

8.3 Employee Benefits

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

8.4 Employee Training

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

9. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

9.1 Contingent Liabilities

As at the end of the Reporting Period, the Group did not have any material contingent liabilities.

9.2 Capital Commitments and Credit Commitments

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

	As of June 30, 2020 RMB'000	As of December 31, 2019 RMB'000
Credit commitments(1)	**93,164**	60,810
Capital commitments(2)	**52,120**	52,120

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 Investment Fund Management Co., Ltd. (北京中諾同創投資基金管理有限公司) and Jiangsu Zhongnuo Zhongnuo Xietong Investment Fund (Limited Partnership)(江蘇中關村中諾協同投資基金合夥企業(有限合夥)) of RMB3.1 million and RMB49.0 million, respectively.

10. USE OF NET PROCEEDS FROM THE GLOBAL OFFERING

The Company issued 333,334,000 H Shares at the issue price of HK$1.52 per H Share in connection with the Listing.

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

We proposed to gradually utilize the net proceeds from the global offering in the following manner as disclosed in the Prospectus:

- Approximately 70% of the net proceeds, or RMB284.0 million, will be used to expand our business operations;

- Approximately 10% of the net proceeds, or RMB40.6 million, will be used to improve our information systems;

- Approximately 10% of the net proceeds, or RMB40.6 million, will be used to recruit more talented specialized personnel with valuable experience, knowledge and skillsets; and

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

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

Use of proceeds	Amounts expected to be utilized as disclosed in the Prospectus (RMB in million)	Utilized amount (RMB in million)	Unutilized amount (RMB in million)	Expected time of use
Expansion of our business operations	284.0	284.0	–	N/A
Improvement of our information systems	40.6	0.7	39.9	To be gradually used in 2020-2023
Recruitment of talents	40.6	3.3	37.3	To be gradually used in 2020-2022
Replenishment of working capital	40.6	40.6	–	N/A

11. BUSINESS OUTLOOK

By capturing the market opportunities from the rapid development of technology and new economy industries, the Group will focus on "business specialization, investment banking operation and ecologization", actively innovate lease products and business models, and provide "leasing plus" comprehensive financial solutions, in order to become a financial service provider with global influence.

In the next five years, the Group will take proactive approach to expand its business nationwide by levering on its established advantages in Beijing-Tianjin-Hebei metropolitan area, active introduce governmental and industrial resources, and establish subsidiaries, branches and offices to serve the innovative technology companies in Beijing-Tianjin-Hebei metropolitan area, Yangtze River Delta and Guangdong-Hong Kong-Macau Greater Bay Area.

Other Information

1. CORPORATE GOVERNANCE PRACTICE

The H Shares have been listed on the Stock Exchange since January 21, 2020. Since the Listing Date, 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.

During the period from the Listing Date and up to the end of the Reporting Period, the Company has continuously complied with all applicable code provisions set out in the CG Code and adopted most of the recommended best practices therein.

2. DIRECTORS' AND SUPERVISORS' SECURITIES TRANSACTIONS

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

Specific enquiry has been made with the Directors and Supervisors, and they have confirmed their compliance with the relevant standards stipulated in the aforesaid code during the period from the Listing Date and up to the end of the Reporting Period.

3. INTERIM DIVIDEND

The Board does not recommend to declare any interim dividends for the six months ended June 30, 2020.

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, Mr. LOU Yixiang and Mr. LI Peng, non-executive Directors. The Audit Committee is chaired by Mr. WU Tak Lung who has a professional qualification in accountancy as required by the Listing Rules.

The Audit Committee has discussed with the management and the external auditor and reviewed the unaudited interim consolidated financial statements of the Group for the six months ended June 30, 2020 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, 2020.

5. CHANGES OF INFORMATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

With effect from April 21, 2020, Mr. WU Tak Lung, an independent non-executive Director, has retired as an independent non-executive director and the chairman of the audit committee of the Beijing Media Corporation Limited, a company listed on the Stock Exchange (stock code: 1000).

With effect from May 28, 2020, Mr. WU Tak Lung, an independent non-executive Director, has been appointed as an independent non-executive director, the chairperson of the audit committee and a member of each of the remuneration committee and the nomination committee of Minth Group Limited, a company listed on the Stock Exchange (stock code: 0425).

With effect from June 22, 2020, Mr. ZHANG Shuqing, a non-executive Director, has retired as a director of Beijing Oriental Yonghe Culture and Creative Investment Co., Ltd. (北京東方雍和文化創意投資有限公司).

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 that is required to be disclosed under Rule 13.51B(1) of the Listing Rules.

6. PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

From the Listing Date and up to the end of 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 POSITIONS 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 interests or short positions in shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he or she was taken or deemed to have under such provisions of SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

8. INTERESTS AND SHORT POSITIONS 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 (other than the Directors, Supervisors and chief executives of the Company) had interests or short positions in shares or underlying shares of the Company which were required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO and recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of Shareholder	Class of Shares	Capacity/ Nature of interest	Number of Shares interested[1]	Approximate percentage of shareholding in the total issued relevant class of Shares [1] (%)	Approximate percentage of shareholding in the total issued Shares [1] (%)
ZGC Group[2]	Domestic Shares	Beneficial owner	600,000,000 (L)		
		Interest of controlled corporation	40,000,000 (L)		
		Total:	640,000,000 (L)	64.00% (L)	48.00% (L)
ZGC Investment Center[3]	Domestic Shares	Interest of controlled corporation	640,000,000 (L)	64.00% (L)	48.00% (L)
Chaoyang SCOMC[4]	Domestic Shares	Beneficial interest	100,000,000 (L)		
		Interest of controlled corporation	100,000,000 (L)		
		Total:	200,000,000 (L)	20.00% (L)	15.00% (L)

Name of Shareholder	Class of Shares	Capacity/ Nature of interest	Number of Shares interested[1]	Approximate percentage of shareholding in the total issued relevant class of Shares [1] (%)	Approximate percentage of shareholding in the total issued Shares [1] (%)
Wangjing Development[4]	Domestic Shares	Beneficial owner	100,000,000 (L)	10.00% (L)	7.50% (L)
Nanshan Capital[5]	Domestic Shares	Beneficial owner	99,900,000 (L)	9.99% (L)	7.49% (L)
Nanshan Group Co., Ltd. (南山集團有限公司)[5]	Domestic Shares	Interest of controlled corporation	99,900,000 (L)	9.99% (L)	7.49% (L)
Nanshan Villagers' Committee of Dongjiang County, Longkou City (龍口市東江鎮南山村村民委會)[5]	Domestic Shares	Interest of controlled corporation	99,900,000 (L)	9.99% (L)	7.49% (L)
SONG Zuowen (宋作文)[5]	Domestic Shares	Interest of controlled corporation	99,900,000 (L)	9.99% (L)	7.49% (L)
Beijing Enterprises Group Company Limited[6]	H Shares	Interest of controlled corporation	50,952,000 (L)	15.29% (L)	3.82% (L)
Beijing Enterprises Group (BVI) Company Limited[6]	H Shares	Interest of controlled corporation	50,952,000 (L)	15.29% (L)	3.82% (L)
Beijing Enterprises Holdings Limited[6]	H Shares	Interest of controlled corporation	50,952,000 (L)	15.29% (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)	15.29% (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)	15.29% (L)	3.82% (L)
United Crystal Limited[6]	H Shares	Beneficial owner	50,952,000 (L)	15.29% (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)	11.02% (L)	2.76% (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 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)	11.02% (L)	2.76% (L)
XIA Shudong (夏曙東)[8]	H Shares	Interest of controlled corporation	32,894,000 (L)	9.87% (L)	2.47% (L)
Shudong Investment Limited[8]	H Shares	Interest of controlled corporation	32,894,000 (L)	9.87% (L)	2.47% (L)
TransCloud Company Limited[8]	H Shares	Interest of controlled corporation	32,894,000 (L)	9.87% (L)	2.47% (L)
China Transinfo Technology Limited (中國車聯網有限公司)[8]	H Shares	Beneficial owner	32,894,000 (L)	9.87% (L)	2.47% (L)
Yusys Technologies Co., Ltd. (北京宇信科技集團股份有限公司)	H Shares	Beneficial owner	22,046,000 (L)	6.61% (L)	1.65% (L)

Notes:

(1) The Company has issued a total number of 1,333,334,000 Shares, comprising 1,000,000,000 Domestic Shares and 333,334,000 H Shares. (L) represents long position.

(2) ZGC Group directly holds 600,000,000 Domestic Shares. ZGC Group is also deemed to be interested in 40,000,000 Domestic Shares held by ZGC Finance, its wholly-owned subsidiary, under the SFO.

(3) Under the SFO, ZGC Investment Center is deemed to be interested in the entire interest held by ZGC Group, a company directly held by it as to 55.4%.

(4) 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.

(5) 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.

(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 the H Shares held by United Crystal Limited under the SFO.

(7) Under the SFO, 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) 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) China Transinfo Technology Limited (中國車聯網有限公司) is wholly owned by TransCloud Company Limited, a wholly-owned subsidiary of Shudong Investment Limited, which is wholly owned by Mr. XIA Shudong. Each of TransCloud Company Limited, Shudong Investment Limited and Mr. XIA Shudong is therefore deemed to be interested in the H Shares held by China Transinfo Technology Limited.

Save as disclosed above and to the best knowledge of the Directors, as at the end of the Reporting Period, no person (excluding the 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. DISCLOSURE UNDER RULE 13.18 OF THE LISTING RULES

On October 25, 2019, the Company, as the borrower, entered into a loan agreement with Bank I, as the lender, pursuant to which the lender agreed to provide the loans to the Company in a total amount of not exceeding RMB150 million. According to the aforesaid loan agreement, no less than 51% of the Company's shares shall be held by ZGC Group before Listing, and ZGC Group shall remain the largest shareholder of the Company after Listing. In the event the aforesaid undertakings have been breached, the lender may terminate the aforesaid loan agreement and demand immediate repayment of all outstanding amounts from time to time. The term of the aforesaid loan agreement is one year.

On November 19, 2019, the Company, as the borrower, entered into a loan agreement with Bank II, as the lender, pursuant to which the lender agreed to provide the loans to the Company in a total amount of not exceeding RMB250 million. According to the aforesaid loan agreement, no less than 51% of the Company's shares shall be held by ZGC Group before Listing, and ZGC Group shall remain the largest shareholder of the Company after Listing. In the event the aforesaid undertakings have been breached, the lender may terminate the aforesaid loan agreement and demand immediate repayment of all outstanding amounts from time to time. The term of the aforesaid loan agreement is one year.

On August 31, 2020, the Company, as the borrower, entered into a facility agreement with Bank III, as the lender, pursuant to which the lender agreed to provide the loan facility to the Company in a total amount of US$25,000,000. According to the aforesaid facility agreement, ZGC Group shall remain as the largest shareholder (directly or indirectly) of the Company. In the event the aforesaid undertakings have been breached, the lender may terminate the aforesaid facility agreement and demand immediate repayment of all outstanding amounts from time to time. The term of the aforesaid facility agreement is one year.

On August 31, 2020, the Company, as the borrower, entered into a loan agreement with Bank IV, as the lender, pursuant to which the lender agreed to provide the loan to the Company in a total amount of RMB50,000,000. According to the aforesaid loan agreement, ZGC Group shall remain as the largest shareholder (directly or indirectly) of the Company. In the event the aforesaid undertakings have been breached, the lender may terminate the aforesaid loan agreement and demand immediate repayment of all outstanding amounts from time to time. The term of the aforesaid loan agreement is one year.

As at the date of this report, ZGC Group directly and indirectly holds approximately 48% of the issued shares of the Company and is the largest shareholder of the Company.

10. MATERIAL LEGAL, LITIGATION AND ARBITRATION MATTERS

As at the end of the Reporting Period, the underlying amount in relation to the pending litigation against the Company as the defendant was RMB0 in aggregate. The Company expected this pending litigation would not have material adverse effect on the business, financial condition or operating performance of the Company.

11. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

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

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 52 to 84 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, 2020, 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 months 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 Review 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, 2020 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 28, 2020

Consolidated Statement of Profit or Loss

for the six months ended June 30, 2020 – unaudited
(Expressed in Renminbi ("RMB"))

		Six months ended June 30,	
		2020	2019
	Note	**RMB'000**	RMB'000
Interest income		**232,766**	204,628
Advisory fee income		**51,600**	45,423
Revenue	3	**284,366**	250,051
Other net income	4	**7,830**	13,779
Interest expense	5	**(115,441)**	(105,606)
Operating expense	6	**(50,257)**	(43,607)
Impairment losses charged	7	**(25,327)**	(15,549)
Share of losses of associates		**(935)**	–
Net foreign exchange gains		**3,960**	–
Profit before taxation		**104,196**	99,068
Income tax expense	8	**(26,265)**	(24,855)
Profit for the period		**77,931**	74,213
Attributable to:			
Equity shareholders of the Company		**77,931**	74,213
Profit for the period		**77,931**	74,213
Basic and diluted earnings per share (in RMB)	9	**0.06**	0.07

The notes on pages 60 to 84 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, 2020 – unaudited
(Expressed in RMB)

	Six months ended June 30,	
	2020	2019
	RMB'000	RMB'000
Profit for the period	**77,931**	74,213
Other comprehensive income for the period (after tax and reclassification adjustments)		
Items that will not be reclassified to profit or loss:		
– Equity investments at fair value through other comprehensive income		
– net movement in fair value reserves (non-recycling)	**–**	60
Total comprehensive income for the period	**77,931**	74,273
Attributable to:		
Equity shareholders of the Company	**77,931**	74,273
Total comprehensive income for the period	**77,931**	74,273

The notes on pages 60 to 84 form part of this interim financial report.

Consolidated Statement of Financial Position

as at June 30, 2020 – unaudited
(Expressed in RMB)

	Note	June 30, 2020 RMB'000	December 31, 2019 RMB'000
Non-current assets			
Property and equipment	10	**17,388**	22,348
Intangible assets		**5,819**	6,394
Finance lease receivables	11	**2,899,118**	2,966,628
Financial assets at fair value through other comprehensive income		**11,026**	11,026
Interest in associates		**48,580**	49,515
Other assets	12	**142**	16
Deferred tax assets	13(b)	**48,483**	43,621
		3,030,556	3,099,548
Current assets			
Finance lease receivables	11	**3,699,450**	3,457,499
Other assets	12	**84,647**	138,268
Pledged and restricted deposits		**66,679**	41,564
Cash and cash equivalents	14	**522,955**	252,106
		4,373,731	3,889,437
Current liabilities			
Borrowings	15	**2,952,820**	2,649,676
Income tax payable	13(a)	**18,426**	14,494
Trade and other liabilities	16	**891,291**	639,975
		3,862,537	3,304,145
Net current assets		**511,194**	585,292
Total assets less current liabilities		**3,541,750**	3,684,840
Non-current liabilities			
Borrowings	15	**941,971**	1,508,706
Trade and other liabilities	16	**767,871**	783,878
		1,709,842	2,292,584
NET ASSETS		**1,831,908**	1,392,256

The notes on pages 60 to 84 form part of this interim financial report.

Consolidated Statement of Financial Position

as at June 30, 2020 – unaudited
(Expressed in RMB)

	Note	**June 30, 2020 RMB'000**	December 31, 2019 RMB'000
CAPITAL AND RESERVES	17		
Share capital		**1,333,334**	1,000,000
Reserves		**498,574**	392,256
Total equity attributable to equity shareholders of the Company		**1,831,908**	1,392,256
TOTAL EQUITY		**1,831,908**	1,392,256

Approved and authorised for issue by the board of directors on August 28, 2020.

DUAN Hongwei
Chairman

HE Rongfeng
General manager

The notes on pages 60 to 84 form part of this interim financial report.

Consolidated Statement of Changes in Equity

For the Six Months ended June 30, 2020 – Unaudited
(Expressed in RMB)

		Attributable to equity shareholders of the Company						
	Note	Share/paid-in 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, 2019		1,000,000	–	45,396	4,780	43,707	193,878	1,287,761
Changes in equity for the six months ended June 30, 2019:								
Profit for the period		–	–	–	–	–	74,213	74,213
Other comprehensive income		–	–	–	60	–	–	60
Total comprehensive income		–	–	–	60	–	74,213	74,273
Dividends approved in respect of the previous years	17(d)	–	–	–	–	–	(35,000)	(35,000)
Balance at June 30, 2019 and July 1, 2019		1,000,000	–	45,396	4,840	43,707	233,091	1,327,034
Changes in equity for the six months ended December 31, 2019								
Profit for the period		–	–	–	–	–	64,043	64,043
Other comprehensive income		–	–	–	1,179	–	–	1,179
Total comprehensive income		–	–	–	1,179	–	64,043	65,222
Appropriation to statutory reserve	17(c)	–	–	13,814	–	–	(13,814)	–
Conversion into joint stock company	17(b)	–	252,761	(45,396)	(4,780)	(43,707)	(158,878)	–
Balance at December 31, 2019		1,000,000	252,761	13,814	1,239	–	124,442	1,392,256

The notes on pages 60 to 84 form part of this interim financial report.

Consolidated Statement of Changes in Equity

For the Six Months ended June 30, 2020 – 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, 2020		1,000,000	252,761	13,814	1,239	–	124,442	1,392,256
Changes in equity for the six months ended June 30, 2020:								
Profit for the period		–	–	–	–	–	77,931	77,931
Total comprehensive income		–	–	–	–	–	77,931	77,931
Capital contribution by equity shareholders	17(a)/(b)	333,334	78,387	–	–	–	–	411,721
Dividends approved in respect of the previous year	17(d)	–	–	–	–	–	(50,000)	(50,000)
Balance at June 30, 2020		1,333,334	331,148	13,814	1,239	–	152,373	1,831,908

The notes on pages 60 to 84 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

for the six months ended June 30, 2020 – unaudited
(Expressed in RMB)

		Six months ended June 30,	
		2020	2019
	Note	**RMB'000**	RMB'000
Operating activities			
Cash generated from/ (used in) operations		**240,846**	(83,910)
PRC income taxes paid	13(a)	**(27,195)**	(25,062)
Net cash generated from/ (used in) operating activities		**213,651**	(108,972)
Investing activities			
Payment for purchase of equipment and intangible assets		**(1,966)**	(1,449)
Proceeds from disposal and redemption of investments		**280**	314,361
Payments on acquisition of investments		**–**	(314,269)
Net cash used in investing activities		**(1,686)**	(1,357)

The notes on pages 60 to 84 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

for the six months ended June 30, 2020 – unaudited
(Expressed in RMB)

	Note	Six months ended June 30, 2020 RMB'000	2019 RMB'000
Financing activities			
Proceeds from borrowings		**1,429,766**	1,290,578
Proceeds from capital contribution by equity shareholders		**451,099**	–
Repayment of borrowings		**(1,693,885)**	(1,009,865)
Interest paid		**(100,908)**	(81,480)
Payments for listing expenses		**(17,258)**	(3,325)
Capital element of lease rentals paid		**(6,152)**	(4,666)
Interest element of lease rentals paid		**(447)**	(455)
Other borrowing costs paid		**(3,418)**	(3,435)
Net cash generated from financing activities		**58,797**	187,352
Net increase in cash and cash equivalents		**270,762**	77,023
Cash and cash equivalents at January 1		**252,106**	306,620
Effect of foreign exchanges rates changes		**87**	–
Cash and cash equivalents at June 30	14	**522,955**	383,643

The notes on pages 60 to 84 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 28, 2020.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2019 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2020 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 2019 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 50 to 51.

2 CHANGES IN ACCOUNTING POLICIES

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

- Amendments to IFRS 3, Definition of a Business
- Amendment to IFRS 16, Covid-19-Related Rent Concessions

Other than the amendment to IFRS 16, 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 amended IFRSs are disclosed below:

Amendments to IFRS 3, Definition of a Business

The amendments clarify the definition of a business and provide further guidance on how to determine whether a transaction represents a business combination. In addition, the amendments introduce an optional "concentration test" that permits a simplified assessment of whether an acquired set of activities and assets is an asset rather than business acquisition, when substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

As the Group did not enter into any acquisition during the interim reporting period, the amendments have no impact on the Group's interim financial report.

Amendment to IFRS 16, Covid-19-Related Rent Concessions

The amendment provides a practical expedient that allows a lessee to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the COVID-19 pandemic ("**COVID-19-related rent concessions**") are lease modifications and, instead, account for those rent concessions as if they were not lease modifications.

The Group has elected to early adopt the amendments and applies the practical expedient to all qualifying COVID-19-related rent concessions granted to the Group during the interim reporting period. Consequently, rent concessions received have been accounted for as negative variable lease payments recognised in profit or loss in the period in which the event or condition that triggers those payments occurred (see Note 10). There is no impact on the opening balance of equity at January 1, 2020.

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, 2020 and 2019, with whom transactions have exceeded 10% of the Group's aggregate revenues.

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

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

		Six months ended June 30,	
		2020	2019
	Note	**RMB'000**	RMB'000
Interest income from finance leases		**232,766**	204,628
Advisory fee income	(i)		
– Policy advisory fee income		**37,488**	36,838
– Management advisory fee income		**14,112**	8,585
		284,366	250,051

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, 2020 RMB'000	2019 RMB'000
Government grants	(i)	**5,000**	11,542
Interest from deposits		**2,480**	1,727
Others		**350**	510
		7,830	13,779

Note:

(i) The government grants were provided to reward enterprises who complete initial public offering in well-known overseas capital markets for the six months ended June 30, 2020. The government grants were provided to support small and medium enterprises of leasing business for the six months ended June 30, 2019. These grants were unconditional and were therefore recognised as income when received.

5 INTEREST EXPENSE

	Six months ended June 30, 2020 RMB'000	2019 RMB'000
Borrowings	**69,088**	49,658
Borrowings from related parties	**23,786**	37,676
Imputed interest expense on interest-free guaranteed deposits from lessees	**22,120**	17,817
Interest expense on lease liabilities	**447**	455
	115,441	105,606

6 OPERATING EXPENSE

Profit before taxation is arrived at after charging:

(a) Staff costs

	Six months ended June 30,	
	2020	2019
	RMB'000	RMB'000
Salaries, bonuses and allowances	**27,100**	25,021
Social insurance and other benefits	**4,912**	6,251
Subtotal	**32,012**	31,272

(b) Other items

	Six months ended June 30,	
	2020	2019
	RMB'000	RMB'000
Depreciation charge		
– owned equipment	**262**	123
– right-of-use assets	**5,148**	4,360
Amortisation cost of		
– intangible assets	**931**	527
– others	**11**	30
Listing expense	**3,199**	–
Other rental expenses	**772**	979

7 IMPAIRMENT LOSSES CHARGED

		Six months ended June 30,	
		2020	2019
	Note	**RMB'000**	RMB'000
Finance lease receivables	11(b)	**25,131**	16,541
Credit commitments	16(a)	**196**	(992)
		25,327	15,549

8 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

		Six months ended June 30,	
		2020	2019
	Note	**RMB'000**	RMB'000
Current tax			
– PRC Enterprise Income Tax ("**EIT**")			
Provision for the period		**31,127**	24,136
Deferred income tax			
– (Origination)/reversal of			
temporary differences	13 (b)	**(4,862)**	719
		26,265	24,855

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 RMB77.9 million (six months ended June 30, 2019: RMB74.2 million) and the weighted average of 1,296.7 million ordinary shares (six months ended June 30, 2019: 1,000.0 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, 2020 and 2019.

10 PROPERTY AND EQUIPMENT

	Other 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, 2019	20,942	896	839	562	23,239
Additions	9,540	656	–	251	10,447
Disposals	–	(13)	(3)	(14)	(30)
As at December 31, 2019/ January 1, 2020	30,482	1,539	836	799	33,656
Additions	–	814	–	–	814
As at June 30, 2020	30,482	2,353	836	799	34,470

10 PROPERTY AND EQUIPMENT (continued)

	Other properties leased for own use carried at cost RMB'000	Electronic equipment RMB'000	Office equipment RMB'000	Others RMB'000	Total RMB'000
Accumulated depreciation					
As at January 1, 2019	–	(703)	(428)	(34)	(1,165)
Charge for the year	(9,563)	(148)	(109)	(351)	(10,171)
Written back on disposals	–	12	2	14	28
As at December 31, 2019/ January 1, 2020	(9,563)	(839)	(535)	(371)	(11,308)
Charge for the period	(5,373)	(209)	(46)	(146)	(5,774)
As at June 30, 2020	(14,936)	(1,048)	(581)	(517)	(17,082)
Net carrying amount					
As at June 30, 2020	15,546	1,305	255	282	17,388
As at December 31, 2019	20,919	700	301	428	22,348

10 PROPERTY AND EQUIPMENT (continued)

(a) Right-of-use assets

The Group has obtained the right to use other properties as its office through tenancy agreements. During the six months ended June 30, 2020, the Group received rent concessions in the form of a discount on fixed payments during the period of severe social distancing and travel restriction measures introduced to contain the spread of COVID-19. The amount of fixed lease payments for the interim reporting period is summarised below:

	June 30, 2020			
	Fixed payments RMB'000	**Variable payments RMB'000**	**COVID-19 rent concessions RMB'000**	**Total payments RMB'000**
Rented office	**6,245**	**–**	**(364)**	**5,881**

	June 30, 2019			
	Fixed payments RMB'000	Variable payments RMB'000	COVID-19 rent concessions RMB'000	Total payments RMB'000
Rented office	4,906	–	–	4,906

As disclosed in Note 2, the Group has early adopted the Amendment to IFRS 16, Leases, Covid-19-Related Rent Concessions, and has applied the practical expedient introduced by the Amendment to all eligible rent concessions received by the Group during the period.

11 FINANCE LEASE RECEIVABLES

	June 30, 2020 RMB'000	December 31, 2019 RMB'000
Minimum finance lease receivables		
Not later than one year	**4,201,058**	3,918,424
Later than one year and not later than five years	**3,108,740**	3,204,484
Gross amount of finance lease receivables	**7,309,798**	7,122,908
Less: Unearned finance income	**(548,469)**	(561,151)
Net amount of finance lease receivables	**6,761,329**	6,561,757
Less: Allowances for impairment losses	**(162,761)**	(137,630)
Carrying amount of finance lease receivables	**6,598,568**	6,424,127
Present value of minimum finance lease receivables		
Not later than one year	**3,842,410**	3,556,390
Later than one year and not later than five years	**2,918,919**	3,005,367
Total	**6,761,329**	6,561,757

11 FINANCE LEASE RECEIVABLES (continued)

Analysis for reporting purpose as:

	June 30, 2020 RMB'000	December 31, 2019 RMB'000
Non-current assets	**2,899,118**	2,966,628
Current assets	**3,699,450**	3,457,499
Total	**6,598,568**	6,424,127

(a) Finance lease receivables and allowances for impairment losses:

	Six months ended June 30, 2020			
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Net amount of finance lease receivables	**6,168,117**	**158,914**	**434,298**	**6,761,329**
Less: Allowances for impairment losses	**(30,079)**	**(5,208)**	**(127,474)**	**(162,761)**
Carrying amount of finance lease receivables	**6,138,038**	**153,706**	**306,824**	**6,598,568**

	December 31, 2019			
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Net amount of finance lease receivables	6,074,976	74,616	412,165	6,561,757
Less: Allowances for impairment losses	(25,391)	(2,422)	(109,817)	(137,630)
Carrying amount of finance lease receivables	6,049,585	72,194	302,348	6,424,127

(Expressed in RMB unless otherwise indicated)

11 FINANCE LEASE RECEIVABLES (CONTINUED)

(b) Changes in allowance for impairment losses of finance lease receivables are as follows:

	Six months ended June 30, 2020			
	12-month ECL	**Lifetime ECL not credit-impaired**	**Lifetime ECL credit-impaired**	**Total**
Balance at January 1, 2020	**25,391**	**2,422**	**109,817**	**137,630**
Transfer:				
– to 12-month ECL	**45**	**–**	**(45)**	**–**
– to lifetime ECL not credit-impaired	**(304)**	**1,246**	**(942)**	**–**
– to lifetime ECL credit-impaired	**(416)**	**(622)**	**1,038**	**–**
Charge	**5,363**	**2,162**	**17,606**	**25,131**
Balance at June 30, 2020	**30,079**	**5,208**	**127,474**	**162,761**

	December 31, 2019			
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Balance at January 1, 2019	18,185	3,336	87,329	108,850
Transfer:				
– to 12-month ECL	36	–	(36)	–
– to lifetime ECL not credit-impaired	(359)	359	–	–
– to lifetime ECL credit-impaired	(757)	(3,211)	3,968	–
Charge	8,286	1,938	18,556	28,780
Balance at December 31, 2019	25,391	2,422	109,817	137,630

12 OTHER ASSETS

	Note	**June 30, 2020 RMB'000**	December 31, 2019 RMB'000
Non-current assets			
Other assets		**142**	16
Current assets			
Deductible value-added tax (VAT)		**70,043**	107,614
Advance payments		**7,970**	4,079
Due from related parties	20(c)	**2,675**	2,955
Notes receivable		**1,776**	4,148
Prepaid listing expenses		**–**	17,835
Other receivables		**2,183**	1,637
		84,647	138,268
Total		**84,789**	138,284

13 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Income tax payable

	June 30, 2020 RMB'000	December 31, 2019 RMB'000
At the beginning of the period/year	**14,494**	12,397
Provision for income tax for the period/year	**31,127**	54,469
Income tax paid	**(27,195)**	(52,372)
At the end of the period/year	**18,426**	14,494

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 financial assets at fair value through other comprehensive income ("FVOCI") RMB'000	Revenue with EIT paid in prior years RMB'000	Allowance for impairment losses RMB'000	Accrued staff costs RMB'000	Total RMB'000
January 1, 2019	(1,593)	10,234	27,554	–	36,195
(Credited)/charged to profit or loss	–	(4,081)	6,942	4,978	7,839
Credited to other comprehensive income	(413)	–	–	–	(413)
December 31, 2019/January 1, 2020	(2,006)	6,153	34,496	4,978	43,621
(Credited)/charged to profit or loss	–	(1,086)	6,332	(384)	4,862
June 30, 2020	(2,006)	5,067	40,828	4,594	48,483

14 CASH AND CASH EQUIVALENTS

	June 30, 2020 RMB'000	December 31, 2019 RMB'000
Cash on hand	**8**	5
Deposits with banks	**522,947**	252,101
Cash and cash equivalents	**522,955**	252,106

15 BORROWINGS

	June 30, 2020 RMB'000	December 31, 2019 RMB'000
Bank loans		
– pledged	**1,114,104**	1,272,332
– unsecured	**594,800**	611,800
Borrowings from related parties		
– pledged	**1,200,000**	1,200,000
Asset-backed securities	**985,887**	1,074,250
	3,894,791	4,158,382

Analysis for reporting purpose as:

	June 30, 2020 RMB'000	December 31, 2019 RMB'000
Non-current liabilities	**941,971**	1,508,706
Current liabilities	**2,952,820**	2,649,676
	3,894,791	4,158,382

As at June 30, 2020, the borrowings were repayable as follows:

	June 30, 2020 RMB'000	December 31, 2019 RMB'000
Within one year	**2,952,820**	2,649,676
After 1 year but within 2 years	**770,378**	1,340,122
After 2 years but within 5 years	**171,593**	168,584
	3,894,791	4,158,382

15 BORROWINGS (continued)

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

	June 30, 2020	December 31, 2019
Range of interest rates:	**3.79% – 5.70%**	4.15% – 5.70%

16 TRADE AND OTHER LIABILITIES

	Note	June 30, 2020 RMB'000	December 31, 2019 RMB'000
Current liabilities			
Guaranteed deposits from lessees		**348,778**	315,782
Notes payable		**290,850**	93,760
VAT to be collected in the following period		**81,885**	92,325
Accounts payable		**66,466**	82,786
Dividends payable		**50,000**	–
Accrued staff costs		**21,020**	21,820
Interest payable		**16,760**	18,790
Lease liabilities		**6,533**	8,856
Receipts in advance		**5,982**	1,653
VAT payable and other tax payable		**957**	844
Other payables		**2,060**	3,359
		891,291	639,975
Non-current liabilities			
Guaranteed deposits from lessees		**646,847**	646,548
Deferred revenue		**79,494**	72,784
VAT to be collected in the following period		**35,982**	55,533
Lease liabilities		**4,997**	8,658
Provision for credit commitments	16(a)	**551**	355
		767,871	783,878
Total		**1,659,162**	1,423,853

16 TRADE AND OTHER LIABILITIES (continued)

(a) Provision for credit commitments

	June 30, 2020			
	12-month ECL RMB'000	Lifetime ECL not credit-impaired RMB'000	Lifetime ECL credit-impaired RMB'000	Total RMB'000
Balance at January 1, 2020	**355**	**–**	**–**	**355**
Charge	**196**	**–**	**–**	**196**
Balance at June 30, 2020	**551**	**–**	**–**	**551**

	December 31, 2019			
	12-month ECL RMB'000	Lifetime ECL not credit-impaired RMB'000	Lifetime ECL credit-impaired RMB'000	Total RMB'000
Balance at January 1, 2019	1,367	–	–	1,367
Reversal	(1,012)	–	–	(1,012)
Balance at December 31, 2019	355	–	–	355

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 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 the initial public offering, the Company's registered share capital includes 1,000,000,000 Domestic Shares and 333,334,000 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.

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 the resolution of the meeting of board of directors, the Company elected to appropriate 20% of its net profit, as determined under the China Accounting Standards for Business Enterprises and other relevant regulations issued by the MOF, to a general risk reserve starting in the year 2017 until the reserve accumulatively reaches an amount equal to 1.5% of the ending balance of the Company's leased assets.

On August 16, 2019, the Company was converted into a joint stock company and amended the Articles of Association. According to the amended Articles of Association, there is no requirement for the Company to appropriate its net profit to general reserve in future.

(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, 2019: RMB35.0 million), approved but not paid during the interim period was RMB50.0 million (six months ended June 30, 2019: nil).

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, 2020			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets at FVOCI	**–**	**–**	**11,026**	**11,026**

	December 31, 2019			
	Level 1	Level 2	Level 3	Total
Financial assets at FVOCI	–	–	11,026	11,026

For the six months ended June 30, 2020 and 2019, 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.

18 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

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 equity securities	Level 3	Market comparable companies	Discount for lack of marketability	The higher the discount, the lower the fair value

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

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

	June 30, 2020 RMB'000	December 31, 2019 RMB'000
Unlisted equity securities:		
At the beginning of the period/year	11,026	9,374
Net unrealised gains or losses recognised in other comprehensive income during the period/year	–	1,652
At the end of the period/year	11,026	11,026

19 COMMITMENTS

(a) Credit commitments

The Group's non-cancellable credit commitments are primarily finance leases that have been contracted, but not provided for. As at June 30, 2020, the Group's non-cancellable lease commitments amounted to RMB93.2 million (December 31, 2019: RMB60.8 million).

(b) Capital commitments

As at June 30, 2020, 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 Jiangsu Zhongguancun Zhongnuo Xietong Investment Fund (Limited Partnership) (江蘇中關村中諾協同投資基金合夥企業(有限合夥)) was RMB3.1 million and RMB49.0 million (December 31, 2019: RMB3.1 million and RMB49.0 million), respectively.

20 MATERIAL RELATED PARTY TRANSACTIONS

(a) Transactions with key management personnel

	Six months ended June 30,	
	2020	2019
	RMB'000	RMB'000
Key management personnel remuneration	**6,369**	5,062

20 MATERIAL RELATED PARTY TRANSACTIONS (continued)

(b) Transaction amounts with related parties:

	Six months ended June 30, 2020 RMB'000	2019 RMB'000
Trade related		
Interest income from leases to a related party	**233**	416
Repayment of finance lease receivable from a related party	**2,172**	2,252
Non-trade related		
Borrowing related		
Repayment of borrowings from related parties	**300,000**	18,000
Borrowings from a related party	**300,000**	300,000
Interest expenses arising from borrowings from related parties	**23,786**	37,676
Lending related		
Lending to a related party	**–**	314,269
Repayment from a related party	**280**	314,361
Interest income from a related party	**–**	102
Guarantee related		
Release of guarantees from a related party	**4,948**	–
Others		
Payment for the lease of house rental, property management and parking fee to related parties	**6,273**	5,199
Repayment of other receivables from related parties	**–**	157
Payment of other receivables of related parties	**–**	83
Payment of other payables of a related party	**–**	18

20 MATERIAL RELATED PARTY TRANSACTIONS (continued)

(c) The balances of transactions with related parties:

	June 30, 2020 RMB'000	December 31, 2019 RMB'000
Trade related		
Finance lease receivable from a related party	**6,437**	8,364
Security deposits payable to a related party	**1,585**	1,585
Non-trade related		
Borrowing related		
Borrowings payable to a related party	**1,200,000**	1,200,000
Interest payable to a related party	**15,770**	14,984
Lending related		
Due from a related party	**–**	280
Guarantee related		
Outstanding balance of guarantees from a related party	**241,374**	246,322
Others		
Lease prepayment to a related party	**2,769**	3,123
Deposits for rental	**2,674**	2,674
Other receivables from a related party	**1**	1

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 finance lease 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, 2020, the number of consolidated structured entities of the Group was two (December 31, 2019: two). As at June 30, 2020, the total assets of the consolidated structured entities amounted to RMB1,075.1 million (December 31, 2019: RMB1,198.6 million).

22 IMPACTS OF COVID-19 PANDEMIC

The COVID-19 pandemic since early 2020 has brought about additional uncertainties in the Group's operating environment and has impacted the Group's operations and financial position.

The Group has been closely monitoring the impact of the developments on the Group's business and has put in place contingency measures. These contingency measures include assessing the quality of finance lease receivables and extension of leasing contracts with particular leases. The Group will keep the contingency measures under review as the situation evolves.