

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*

# LUCION

**Shandong International Trust Co., Ltd.**

**山東省國際信託股份有限公司**

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

**(Stock Code: 1697)**

## **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2021**

The board of directors (the “**Board of Directors**”) of Shandong International Trust Co., Ltd. (the “**Company**”) is pleased to announce the unaudited consolidated results of the Company for the six months ended 30 June 2021 (the “**Reporting Period**”). The content of this interim results announcement has been prepared in accordance with applicable disclosure requirements under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) in relation to preliminary announcements of interim results and the International Financial Reporting Standards (the “**IFRSs**”) promulgated by the International Accounting Standards Board. Such interim results have also been reviewed and confirmed by the Board of Directors and the audit committee of the Board of Directors (the “**Audit Committee**”). Unless otherwise stated, financial data of the Company are presented in Renminbi.

*In this interim results announcement, the “Group” refers to the Company and the trust schemes included in the consolidated financial statements of the Company (i.e. the trust schemes controlled by the Company). Where there is any inconsistency between the Chinese version and the English version of this interim results announcement (except for the extracts of interim financial information), the Chinese version shall prevail.*

## 1. BASIC CORPORATE INFORMATION

### 1.1 Basic Information

<b>Legal name in Chinese Abbreviation</b>	山東省國際信託股份有限公司 山東國信
<b>Legal name in English Abbreviation</b>	Shandong International Trust Co., Ltd. SITC
<b>Legal representative</b>	Wan Zhong (萬眾)
<b>Authorised representatives</b>	Wan Zhong (萬眾) Lee Kwok Fai, Kenneth (李國輝)
<b>Listing exchange of H Shares Stock name Stock code</b>	The Stock Exchange of Hong Kong Limited SDITC 1697

### 1.2 Contact Person and Contact Details

<b>Secretary to the Board of Directors</b>	He Chuangye (賀創業)
<b>Joint company secretaries</b>	He Chuangye (賀創業) Lee Kwok Fai, Kenneth (李國輝)
<b>Registered office</b>	No. 166 Jiefang Road Lixia District Jinan, Shandong Province PRC
<b>Postal code</b>	250013
<b>E-mail address</b>	ir1697@luxin.cn
<b>Internet website</b>	<a href="http://www.sitic.com.cn">http://www.sitic.com.cn</a>
<b>Principal place of business in Hong Kong</b>	31/F, Tower Two, Times Square 1 Matheson Street Causeway Bay Hong Kong

## 2. SUMMARY OF FINANCIAL DATA

### 2.1 Summary of Unaudited Interim Condensed Consolidated Statement of Comprehensive Income

		<b>Six months ended 30 June</b>	
	<i>Note</i>	<b>2021</b>	<b>2020</b>
		<i>(RMB in thousands)</i>	
Fee and commission income	5	<b>488,446</b>	571,351
Interest income	6	<b>442,397</b>	386,632
Net changes in fair value on financial assets at fair value through profit or loss (“FVPL”) and investments in associates measured at fair value	7	<b>(135,419)</b>	54,434
Investment income	8	<b>170,696</b>	42,520
Net gains on disposal of investment in associates		<b>41,196</b>	54,882
Other operating income		<b>2,985</b>	27,247
<b>Total operating income</b>		<b>1,010,301</b>	1,137,066
<b>Total operating expenses</b>		<b>(784,604)</b>	(627,155)
Share of profit of investments accounted for using the equity method		<b>239,626</b>	140,148
<b>Profit before income tax</b>		<b>465,323</b>	650,059
Income tax expense	13	<b>(64,381)</b>	(135,791)
<b>Net profit attributable to shareholders of the Company</b>		<b>400,942</b>	514,268

## 2.2 Summary of Unaudited Interim Condensed Consolidated Statement of Financial Position

	<b>As at 30 June 2021</b>	<b>As at 31 December 2020 (Audited)</b>
<i>Note</i>		
	<i>(RMB in thousands)</i>	
Total current assets	<b>7,174,735</b>	6,262,894
Total current liabilities	<b>10,914,737</b>	9,066,957
Total non-current assets	<b>14,901,606</b>	14,420,927
Total non-current liabilities	<b>577,151</b>	1,441,740
<b>Total assets</b>	<b>22,076,341</b>	20,683,821
<b>Total liabilities</b>	<b>11,491,888</b>	10,508,697
<b>Total equity</b>	<b>10,584,453</b>	10,175,124

## 2.3 Summary of Unaudited Interim Condensed Consolidated Statement of Cash Flows

	<b>Six months ended 30 June 2021</b>	<b>2020</b>
<i>Note</i>		
	<i>(RMB in thousands)</i>	
Net cash used in operating activities	<b>(1,297,222)</b>	(476,380)
Net cash generated from/(used in) investing activities	<b>236,637</b>	(60,153)
Net cash generated from/(used in) financing activities	<b>1,467,525</b>	(29,428)
Effect of exchange rate changes on cash and cash equivalents	<b>(68)</b>	467
Net increase/(decrease) in cash and cash equivalents	<b>406,872</b>	(565,494)
<b>Cash and cash equivalents at the beginning of the period</b>	<b>969,535</b>	964,424
<b>Cash and cash equivalents at the end of the period</b>	<b>1,376,407</b>	398,930

### **3. MANAGEMENT DISCUSSION AND ANALYSIS**

#### **3.1 Environment Review**

Since 2021, the global pandemic has continued to evolve, and the external environment has become more complex and severe. Although the global economy has been gradually recovering, the imbalance in the recovery process has become prominent and the differentiation has increased. The rebound of the pandemic in many countries has further increased the uncertainty of economic recovery. Facing the complex and severe internal and external situation, China has integrated the overall domestic and international situation, coordinated the COVID-19 pandemic prevention and control while working on economic and social development, effectively implemented macro policies, and deepened structural reform of supply chain. The economy has enjoyed a steady and sustainable recovery with positive indicators, and the main macro indicators are in a reasonable range. China has actively promoted scientific and technological self-reliance and self-improvement, intensified efforts on its reform and opening up, effectively guaranteed people's livelihood and achieved new results in terms of high-quality development.

Facing the complex and severe economic and financial situation, China's financial industry conscientiously implemented the decisions and deployments of the Party Central Committee, the State Council and regulatory departments, took the initiative, acted proactively, maintained steady growth while being innovative, strongly supported economic transformation and high-quality development, accelerated the development of green finance, effectively prevented and resolved major financial risks, and continuously improved the level of financial services, achieving new and remarkable results in various work.

Actively responding to the regulatory calls, the trust industry has continued to scale down channel business and financing business, further strengthened its support for the real economy, actively explored green trust business, and carried out the construction of trust culture in a down-to-earth manner, so as to realise the high-quality development of the industry on the basis of serving the country's economic and social development. By the end of the second quarter of 2021, the balance of trust assets managed by China's trust industry was RMB20.64 trillion, the structure of trust assets, the ways of allocation and the application of the fund trust has continued to be optimised, standardised investment has developed rapidly, the strength of investment research has continuously improved, the efforts to support the real economy has been continuously strengthened, and the business transformation has achieved certain results.

### 3.2 Business Overview

As a trust company regulated by the China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會) (the “CBIRC”) the Company is permitted to conduct businesses across a number of markets, such as the real economy, capital markets and money markets. The Company adheres to the market-oriented approach, closely monitors the Chinese economy and market dynamics to identify market opportunities, and it also timely and adeptly adjusts its development strategies to proactively grow its business and achieve the “dual drivers” for the trust business and the proprietary business.

In the first half of 2021, facing the combination of challenges from complex and changeable macro environment, increasingly strict regulatory situation, increasingly fierce competition in the asset management market and formidable tasks of reform, SITC adhered to the general tone of striving for progress while maintaining stability, promoted the transformation with reform, so as to carry out the annual key work in an orderly manner, focused on carrying out three institutional reforms, speeded up the business transformation and development, improved the national business layout, deepened the reform of wealth management, continuously promoted the disposal of risk projects, deeply implemented the construction of trust culture, completed the formation of the “14th Five-Year Plan”, and comprehensively consolidated the foundation for high-quality development. Firstly, the Company speeded up the transformation and development, and constantly improved the level of high-quality development. The Company adhered to deepen the business of combination of equity and debt, enhanced the ability of active management, and effectively improved the profitability of trust assets; the Company established the Capital Markets Business Department, actively introduced professional talents, made comprehensive efforts in the development of the standard product business and investment business, cooperated with a number of securities firms and private equity fund companies to promote standardised investment business, vigorously expanded asset-backed securities, and helped enterprises to raise funds directly; speeded up the development of service trusts, maintained the momentum of rapid growth in family trust business, made breakthroughs in equity family trusts with independent brands, and actively carried out

charitable trusts. Secondly, the Company continuously improved the layout of marketing outlets and team building, speeded up the transformation of wealth management. The Company further promoted the reform of wealth management business, set up a wealth management department, practically strengthened the construction of independent marketing system, accelerated the construction of wealth outlets and marketing teams in other places, and set up new wealth centres in places including Beijing, Shanghai, Xi'an and Dongguan, so as to establish a national wealth network covering North China, East China, Northwest, Northeast and South China to further facilitate customers' investment and wealth management. The Company actively carried out public welfare advocacy on promoting the protection of consumers' rights and interests, regularly organised financial knowledge presentation activities, and continuously enhanced the effectiveness of education on investors. Thirdly, the Company accelerated the reform of the institutional mechanism and strengthened the endogenous power of transformation and development. Focusing on the "14th Five-Year Plan" of the Company, the Company learned from the advanced experience of the industry, adjusted and optimised the Company's organisational structure, set up three major business departments of wealth management, family trust and capital market and their business headquarters, and set up departments such as the Information Technology Department and the Asset Monitoring Centre to enhance service support capacity and promote business transformation. Meanwhile, the Company implemented the reform of the mechanism of professional managers, selected and recruited deputy general managers from the public, and improved the construction of the professional manager system. The Company comprehensively promoted the reform of the salary assessment system, enhanced support for wealth management, capital markets and the original business, vigorously introduced professionals, implemented a market-oriented salary management system, stimulated employees' entrepreneurial enthusiasm, established restriction rules and an internal accountability mechanism, so as to create a corporate atmosphere with healthy competition and steady development. Fourthly, the Company continued to increase the level of risks management, and continuously strengthened the construction of internal control and compliance. The

Company officially launched the intelligent risk control system, which was independently developed and designed, making use of the indicator systems, rules and models to build an efficient, unified and reliable risk control data platform, so as to realise online calculation and independent rating of certain businesses, effectively improving the Company's investment decision-making ability and risks management level. The Company conscientiously carried out special governance work such as "the Year of Standardised Construction and Promotion" and "the Year of Internal Control and Compliance Construction", formulated plans for activities, conducted self-examination and evaluation, and promoted rectification and reform in a down-to-earth manner. The Company actively implemented anti-money laundering and anti-terrorist financing, and speeded up the construction of an anti-money laundering system. The Company adhered to the position of being a trustee, vigorously carried forward the trust culture, deeply carried out the construction of trust culture, and formulated and implemented the activity plan of "the Year of Trust Culture Popularisation".

In the first half of 2021, the Group achieved operating income in the amount of RMB1,010.3 million, representing a year-on-year decrease of 11.1%; net profit attributable to shareholders of the Company was RMB400.9 million, representing a year-on-year decrease of 22.0%, mainly due to the decrease in fee and commission income. Meanwhile, the increase in interest expenses was partially offset by an increase in share of profit of investments accounted for using the equity method.

The Group's business segments are (i) trust business and (ii) proprietary business. Trust business is the Group's main business. As a trustee, the Group accepts entrustment of funds and/or properties from its trustor clients and manages such entrusted funds and/or properties to satisfy its trustor clients' investment and wealth management needs, as well as its counterparty clients' financing needs. The Group's proprietary business focuses on allocating its proprietary assets into different asset classes and investing in businesses with strategic value to its trust business in order to maintain and increase the value of its proprietary assets.

The following table sets forth the Group's segment income and its main components for the periods indicated:

	Six months ended 30 June			
	2021		2020	
	Amount	%	Amount	%
<i>(RMB in thousands, apart from %)</i>				
<b>Trust business</b>				
Operating income	<b>488,919</b>	<b>39.12%</b>	571,716	44.76%
Segment income	<b>488,919</b>	<b>39.12%</b>	571,716	44.76%
<b>Proprietary business</b>				
Operating income	<b>521,382</b>	<b>41.71%</b>	565,350	44.26%
Share of profit of investments accounted for using the equity method	<b>239,626</b>	<b>19.17%</b>	140,148	10.98%
Segment income	<b>761,008</b>	<b>60.88%</b>	705,498	55.24%
<b>Total</b>	<b><u>1,249,927</u></b>	<b><u>100.00%</u></b>	<b><u>1,277,214</u></b>	<b><u>100.00%</u></b>

In the first half of 2021, the income from the trust business and proprietary business of the Company accounted for 39.1% and 60.9% of the total revenue of the Group, respectively.

### **3.2.1 Trust Business**

In the first half of 2021, the Company actively responded to the impact of the COVID-19 pandemic, the domestic economic situation and changes in the regulatory policy environment. Faced with the pressure of shrinking trust scale under a strict regulatory environment, the Company took initiative to seek and respond to the changes, made plans to promote the adjustment and optimisation of organisational structure, enhanced the development of investment business, accelerated the pace of returning to the origin of trust, accelerated the layout of standard product business, continuously improved the network layout of wealth centres, and actively promoted the transformation of wealth management. Firstly, the Company continued to optimise the active management business model and vigorously improved the quality and increased efficiency of trust business. The Company comprehensively developed the "Equity + Debt" business, and constantly optimised the structure and income of the trust business. Secondly, the Company continued to speed up the pace of returning to the origin of trust, and constantly improved the level of research and development and

independent management ability of service trusts. The Company gave full play to its leading advantages, actively expanded the source of original business assets, constantly improved the ability of asset allocation, explored and built a comprehensive family trust service platform to improve operational efficiency and service level; steadily expanded the “circle of friends” of its original business, deepened cooperation among existing business channels, speeded up the expansion of new cooperation institutions, and steadily improved the number of customers on hand. Thirdly, the Company stepped up the development of the standard product business and constantly expanded the scale of business. The Company actively embraced the capital market, set up a capital market business department, actively introduced high-end and professional talents, set up high-quality and market-oriented investment and research teams, vigorously expanded standardised business such as bonds and asset securitisation, continued to strengthen the construction of investment research system and risk control system, strengthened cooperation with financial institutions and private equity fund management companies, expanded the scope of investable assets, and proactively improved the ability to actively allocate assets. Fourthly, the Company improved the wealth management business system, reformed the assessment and incentive system, and speeded up the transformation of wealth management. The Company actively promoted the reform of wealth management business, set up a wealth management business department, stepped up the construction of wealth outlets and marketing teams in other areas, so as to establish a national wealth network covering North China, East China, Northwest, Northeast and South China to earnestly strengthen independent marketing ability and further facilitate customers’ investment and wealth management.

In the first half of 2021, both the trust assets under management (“AUM”) and the income from trust business recorded a year-on-year decrease, and the income from actively managed trusts in proportion of the fee and commission income of the total income from trust business maintained a steady growth. The AUM of the Company decreased from RMB232,525 million as at 30 June 2020 to RMB206,407 million as at 30 June 2021, and the total number of trusts as at the respective dates were 1,130 and 1,225, respectively. In the first half of 2021, the Company achieved income of the trust business in the amount of RMB488 million, indicating a year-on-year decrease of 14.5%. During the Reporting Period, revenue from the actively managed trusts amounted to RMB402 million, accounting for 82.4% of the fee and commission income of the total income from the trust business, indicating a year-on-year growth of 1.5 percentage points.

## *Classification of Trusts*

With the flexible trust arrangements under PRC laws, advantages of mixed operations under the Company's trust license and strong active management capability, the Company has been continuously developing trust products with new structures and investment channels, in order to capture market opportunities emerging at different times and satisfy the changing needs of its clients. The Company offers and manages a range of trusts to satisfy the financing, investment and wealth management needs of its various types of clients.

The Company's rights to manage and use trust assets come from the trustors' entrustment. While the rights granted to the Company by the trustors vary from one trust to another, the Company has classified its trusts into administrative management trusts and actively managed trusts based on differences in the Company's roles and responsibilities regarding the management and use of trust assets. The actively managed trusts can be further subdivided into financing trusts and investment trusts.

- (1) **Financing Trusts:** Under this type of trusts, in addition to providing trust administration services for the capital end, the Company is actively involved in the ongoing management and disposal of the trust assets in the asset end, and focused on satisfying the financing needs of its counterparties. The Company's financing trusts provide flexible financial service solution for real estate development projects, infrastructure projects and other various types of enterprises.
- (2) **Investment Trusts:** The Company is responsible for or participates in the selection of assets or projects in which the trust assets will be invested in, and the Company performs its own due diligence on the assets or projects as well as the counterparties that hold the assets or projects. In addition to providing trust administration services for the trusts, the Company is actively involved in the ongoing management and disposal of the trust assets, and focuses on satisfying the investment, wealth management and succession needs of its trustor clients. The Company's investment trusts include a variety of equity investment trusts, such as securities investment trusts, indirect investment trusts, family trusts and discretionary wealth management trusts with different risk-return profiles that can satisfy the investment and wealth management needs of different trustor clients.

- (3) Administrative Management Trusts:** In an administrative management trust, the trustors have the discretion on the management, use and disposal of the trust assets. Trustors are responsible for seeking counterparties to the transactions for the proposed trust, performing their own due diligence, selecting the assets or projects in which the trust assets will be invested in, and in charge of project management after the establishment of the trust. The Company's roles in administrative management trusts are limited to providing trust administration services and accepting entrustment of trust assets from trustors to provide financing for or invest in projects or enterprises designated by the trustors.

In accordance with regulatory requirements, the Company has adjusted the classification of certain trust schemes since 2020, and certain investment trusts were reclassified as financing trusts. Figures in the tables below are presented in accordance with the latest statistics.

The following table sets forth the Company's total numbers of trusts and AUM of each type of our trusts as at the dates indicated:

	As at 30 June			
	2021		2020	
	Number	AUM	Number	AUM
	<i>(AUM: RMB in millions)</i>			
Financing trusts	164	53,244	171	70,303
Investment trusts	832	20,365	609	31,096
Administrative management trusts	229	132,798	350	131,126
<b>Total</b>	<b>1,225</b>	<b>206,407</b>	<b>1,130</b>	<b>232,525</b>

The following table sets forth the revenue generated from each type of the Company's trusts as at the periods indicated (in absolute amount and as a percentage of the fee and commission income accounted for in the total income from the trust business):

	Six months ended 30 June			
	2021		2020	
	Revenue	%	Revenue	%
<i>(Revenue: RMB in millions)</i>				
Financing trusts	345	70.70	292	51.14
Investment trusts	57	11.68	170	29.77
Administrative management trusts	86	17.62	109	19.09
<b>Total</b>	<b>488</b>	<b>100.00</b>	<b>571</b>	<b>100.00</b>

#### *Financing Trusts*

Through financing trusts, the Company mainly provides private equity investment banking services to various types of enterprises and institutions in China, and offers flexible and diversified financing plans. Based on the industry segments, the financing trusts of the Company during the Reporting Period can be categorised as real estate trusts, infrastructure trust, and industrial and commercial enterprises trusts.

- (1) **Real Estate Trusts:** The Company's real estate trusts focus on arranging debt financing and equity financing for real estate development projects located in China which are undertaken by top Chinese real estate developers. During the Reporting Period, the Company continued to promote the shift of real estate trusts from debt financing to "equity + debt" and equity financing. Through methods such as sending onsite managers and engaging third-party professional institutions to be in charge of management, the Company continued to enhance its active management capability and risk control for real estate projects and enhanced cooperation with counterparties.
- (2) **Infrastructure Trusts:** The infrastructure trusts mainly focus on arranging debt financing for infrastructure development projects located in the PRC that are undertaken by various enterprises.

- (3) **Industrial and Commercial Enterprises Trusts:** The Company's industrial and commercial enterprises trusts focus on providing various forms of investment and financing services such as industry investment funds and equity investments to satisfy their working capital needs in the general industrial and commercial sectors in the PRC.

#### *Investment Trusts*

With investment trusts, the Company provides asset and wealth management services to institutional investors and high-net-worth individuals (“HNWI”) to satisfy their investment needs. Rapid accumulation of wealth in the PRC has resulted in diversified demands for various forms of investment. As the traditional asset management industry in the PRC is dominated by securities investment fund companies and securities firms, which mainly invest in standardised financial products in capital markets, such as the money market, publicly traded stocks and bonds, the Company believes the flexibility of the trusts and the business scope of the trust license enable the Company to offer financial products with unique value to institutional investors and HNWI.

Based on the subject of investment, investment trusts can be further categorised into equity investment trusts, securities investment trusts, indirect investment trusts, family trusts, discretionary wealth management trusts and other types of investment trusts.

- (1) **Equity Investment Trusts:** The Company's equity investment trusts mainly invest in the equity of unlisted enterprises or trust business of other equity which may be invested as approved by the CBIRC with the funds of trust under the trust schemes.
- (2) **Securities Investment Trusts:** The Company's securities investment trusts mainly invest in entrusted funds in combinations of publicly traded securities, including equity securities traded on the Shanghai Stock Exchange, the Shenzhen Stock Exchange and inter-bank bond market throughout the country, closed-end and open-end securities investment funds, enterprise bonds, treasury notes and related derivative products. The Company offers three major types of securities investment trusts: (i) management securities investment trusts, (ii) structured securities investment trusts, and (iii) bond markets trusts.

- (3) **Indirect Investment Trusts:** The Company's indirect investment trusts do not directly invest in any particular class of assets (such as listed securities). Instead, such trusts subscribe to an asset management scheme initiated by a security firm or other financial institutions or limited partner interests in a limited partnership. The target asset management scheme or limited partnership then provide funding to counterparties in the form of the equity investment.
- (4) **Family Trusts:** The Company can assist individual clients in achieving goals on wealth succession through the Company's family trusts. The Company's clients may entrust funds as well as other types of properties, such as real properties, equity interests, right to claim insurance benefits and financial products, to the Company and utilise the institutional advantages of trust arrangements under PRC laws to secure realisation of wealth succession. Due to the increasing wealth of PRC citizens and the rapid increase in number of ultra-high-net-worth individuals ("UHNWI"), family trusts became widely recognised by UHNWIs due to the advantage of family trusts in wealth succession, family affairs management, family risk management and tax planning. During the Reporting Period, the family trust business continued to grow rapidly. As at 30 June 2021, the Company's family trust business has reached nearly RMB20 billion in terms of stock scale, representing a year-on-year increase of 42.37%, thus continuing to secure a leading position in the industry. Since 2021, the Company further enhanced the market exploration to expand its customer base and cultivate new profit growth engines for the long-term stability of the Company; explored the all-round family trust integrated service platform, further enhancing the refined, professional and customised service capability. The Company attached great importance on innovation of family trust area, continuously exploring and implementing in equity interest family trust in 2021, and has been leading the industry in terms of research, development and innovation. The Company will continue to expand the family trusts product portfolio and strengthen the development of information system to provide clients with high-quality, efficient professional and customised family trust services.
- (5) **Discretionary Wealth Management Trusts:** Other than the family trust business, the Company is also developing its private wealth management business. The Company has established certain individual trusts whereby the trustor clients entrust their funds to the Company and allow the Company to allocate the funds into different trust products chosen by the Company based on their respective investment

needs. The trust agreements normally set forth the general scope of investment as set by the trustors, and the Company is granted full discretion on allocation of the trust assets. During the Reporting Period, the Company continued to exert effort on developing the customer base for the discretionary wealth management trusts and to improve asset allocation, thus helping customers to realise higher yields. As at 30 June 2021, the Company managed eight discretionary wealth management trusts, with the AUM reaching approximately RMB1.832 billion.

- (6) **Other Trusts:** In addition to the above investment trusts, the Company also established other types of investment trusts, such as charitable trusts, which are products of the Company's active performance of its corporate social responsibility. The Company's charitable trusts enhanced the branding of the Company as its business development model and to integrate the business development model with the Company's family trust business. As at 30 June 2021, the Company managed seven charitable trusts, with the AUM reaching approximately RMB75.3 million. In 2021, the "Wudi County Labour Model Zhumeng Yangfan Charitable Trust" (無棣縣勞模築夢揚帆慈善信託) established by the Company won the "Top Ten Social Responsibility Projects" (2020年度十佳社會責任項目) at the 2021 China Financial Brand Summit and Financial Corporate Social Responsibility Conference sponsored by China Banking and Insurance News (《中國銀行保險報》). Binbin Charitable Trust (彬彬慈善信託) was awarded the 14th "Best Charitable Trust Product" (誠信託•最佳慈善信託產品) by Shanghai Securities News (《上海證券報》).

#### *Administrative Management Trusts*

Through the administrative management trusts, the Company provides administrative services to the trustors, whilst at the same time aiming at satisfying the investment needs of trustor clients on the one hand and the financing needs of the clients' counterparties on the other hand. The Company established administrative management trusts pursuant to the instructions of trustors and provided financing and investments for real estate development projects, infrastructure projects, and various industrial and commercial enterprises chosen by those trustors. For this type of trusts, the Company merely provides trust administration-related services and accepts entrustment of trust assets from trustors and uses such trust assets to provide financing for or make investments in the projects or enterprises designated by the trustors.

### ***3.2.2 Proprietary Business***

In the first half of 2021, in order to reasonably optimise the allocation of its own funds and improve the operation standard of its own funds, the Company insisted on the strategy of combining long-term, mid-term and short-term assets, and proactively made investments with its own funds. Firstly, the Company fully utilised the synergy between the proprietary business and the trust business, actively implemented the investment and loan linkage mechanism, and provided great support for the transformation and innovation of the “equity + debt” trust business. Secondly, the Company continuously improved the investment layout of the venture capital fund, and proactively supported the Shandong’s regional economic development and replacement of old growth drivers with new ones to seek proprietary business transformation and development, and foster new profit growth point. Thirdly, the Company assessed the situation, further actively promoted the transformation and development of First-Trust Fund Management Co., Ltd., and optimised the layout of financial equity investment. Fourthly, with safety and liquidity being assured, short term operations such as diversified investment, efficient use of liquid funds for short-term operations such as government bonds purchased under agreements to resell, investment in monetary fund and cash management trust schemes were actively carried out to improve utilisation efficiency of domestic and overseas capital. Fifthly, the Company further strengthened exchanges and communication with financial enterprises in Hong Kong, and laid a solid foundation for overseas businesses. The Company recorded segment income of RMB761.0 million from its proprietary business in the first half of 2021, representing a year-on-year increase of 7.9%, mainly due to (i) an increase in interest income from RMB386.3 million in the first half 2020 to RMB441.9 million in the first half of 2021; (ii) an increase in investment income from RMB42.5 million in the first half 2020 to RMB170.7 million in the first half of 2021; and (iii) an increase in share of profit of investments accounted for using the equity method from RMB140.1 million in the first half of 2020 to RMB239.6 million in the first half of 2021. The interest income, investment income and share of profit of investments accounted for using the equity method are partially offset by a loss of RMB135.4 million in the first half of 2021 in net changes in fair value on financial assets at FVPL and investment in associates measured at fair value, which recorded a revenue of RMB54.4 million in the first half of 2020.

#### *Allocation of Proprietary Assets*

Pursuant to the *Administrative Measures on Trust Companies* (《信託公司管理辦法》) issued by the CBRC in January 2007, trust companies may engage in the following proprietary businesses: (i) deposits at banks and other financial institutions, (ii) loans, (iii) leasing, and (iv) investments, which include equity investments in financial institutions, investments in financial products and investments in fixed assets for self-use.

In conducting its proprietary business, the Company allocates its proprietary assets into different asset classes and invests in businesses with strategic value for the Company's trust business in order to maintain and increase the value of its proprietary assets. The Company manages and invests its proprietary assets according to its annual assets allocation plans, which are formulated by the management of the Company and approved by the Board of Directors. The Company makes strategic long-term investments in a number of financial institutions, which helps to establish stronger business relationships with these financial institutions and create synergies for its operations. The Company also invests its proprietary assets in various types of equity products, such as listed shares and mutual funds, as well as wealth management products. The Company keeps a reasonable amount of its proprietary assets in highly liquid form, such as deposits at banks and other financial institutions and government bonds purchased under agreements to resell in order to maintain the Company's liquidity and satisfy capital requirements for the expansion of its trust business.

The following table sets forth the allocation of our proprietary assets managed by the Company as our proprietary business as at the dates indicated:

	As at <b>30 June</b> <b>2021</b>	As at 31 December 2020 (Audited)
	<i>(RMB in thousands)</i>	
<b>Investments in monetary assets</b>	<b>728,899</b>	730,299
Deposits at banks	<b>50,430</b>	47,042
Other monetary fund	<b>83,469</b>	651,807
Government bonds purchased under agreements to resell	<b>595,000</b>	31,450
<b>Securities investments</b>	<b>6,335,685</b>	6,048,721
<i>Investment in equity products</i>	<b>636,416</b>	708,842
Listed shares classified as:		
— financial assets at FVPL	<b>19,814</b>	90,395
Subtotal	<b>19,814</b>	90,395
Mutual funds classified as:		
— financial assets at FVPL	<b>616,602</b>	618,447
Subtotal	<b>616,602</b>	618,447

	As at 30 June 2021	As at 31 December 2020 (Audited)
<i>(RMB in thousands)</i>		
<i>Investment in wealth management products</i>		
Investments in our consolidated trust schemes	5,423,162	5,132,481
Investment in unconsolidated trust schemes classified as financial assets at FVPL	144,424	104,640
Asset management products	131,683	102,758
<b>Long-term equity investments</b>	<b>2,065,652</b>	<b>1,932,383</b>
Investment accounted for using the equity method	1,794,317	1,642,703
Investment classified as financial assets at FVPL	271,335	289,680
<b>Proprietary loans</b>	<b>2,815,341</b>	<b>993,950</b>
<b>Trust Industry Protection Fund</b>	<b>104,527</b>	<b>100,116</b>
<b>Total</b>	<b>12,050,104</b>	<b>9,805,469</b>

### *Monetary Assets*

This is the safest and most liquid type of proprietary investment of the Company. The balance of the Company's investments in monetary assets and the Company's investment return (in terms of interest income generated) at the indicated periods are summarised below:

	As at 30 June 2021	As at 31 December 2020 (Audited)
<i>(RMB in thousands)</i>		
<b>Investment in monetary assets</b>		
— Deposit at banks	50,430	47,042
— Other monetary fund	83,469	651,807
— Government bonds purchased under agreements to resell	595,000	31,450
<b>Total</b>	<b>728,899</b>	<b>730,299</b>

**Six months ended 30 June**  
**2021**                      2020  
*(RMB in thousands)*

**Interest income generated**

**from:**

— Deposit at banks	<b>3,201</b>	1,251
— Government bonds purchased under agreements to resell	<b>10,411</b>	2,425

<b>Total</b>	<b>13,612</b>	3,676
--------------	---------------	-------

Average investment return of the Company's monetary assets (calculated as the total of investment income (in terms of interest income received), annualised as a percentage of average investment balance in such monetary assets, where appropriate) was 1.2% and 3.7% for the six months ended 30 June 2020 and for the six months ended 30 June 2021, respectively. The increase in average investment return was attributable to the increase in the average investment amount of government bonds purchased under agreements to resell in the first half of the year.

*Securities Investments*

Under the annual assets allocation plan of the Company, a certain percentage of the Company's proprietary assets would be allocated to securities investments including listed shares and mutual funds, as well as wealth management products, including investments in the Company's consolidated and unconsolidated trust schemes and asset management products.

The following table sets forth the risk category of the underlying investments and average investment balance of the Company's securities investments for the periods indicated:

	Six months ended 30 June 2021	Year ended 31 December 2020 (Audited)
<i>(RMB in millions, except risk category)</i>		
<b>Risk category of underlying investments</b>		
– Equity products	<b>High</b>	High
– Trust schemes	<b>Medium</b>	Medium
– Asset management products	<b>Medium</b>	Medium
<b>Average investment balance<sup>(1)</sup></b>		
– Equity products	<b>672.6</b>	677.1
– Trust schemes	<b>5,402.4</b>	5,297.7
– Asset management products	<b>117.2</b>	138.4

*Note:*

- (1) Average of the beginning balance and the ending balance of each category of investments held by the Company for the year/period indicated, before consolidation of the consolidated structured entities.

The Company contemporaneously adjusted the allocation of its proprietary assets in securities investment according to market conditions. During the Reporting Period, the average balance of the Company's investments in equity products decreased by 0.7% from RMB677.1 million in 2020 to RMB672.6 million in the first half of 2021; the average balance of investments in trust schemes increased by 2.0% from RMB5,297.7 million in 2020 to RMB5,402.4 million in the first half of 2021; and the average balance of the Company's investments in asset management products decreased by 15.3% from RMB138.4 million in 2020 to RMB117.2 million in the first half of 2021.

### *Long-Term Equity Investments*

The Company has made strategic long-term investments in a number of financial institutions, which helped the Company to establish stronger business relationships with these financial institutions and created synergies for its business operations. The following table sets forth the major equity investments of the Company in financial institutions as at 30 June 2021, including their main businesses, the Company's proportionate equity interests in them, whether the Company held any board seat, the date of the Company's first investment, and the relevant accounting treatment of each investment.

Name	Main business	Equity interest as at 30 June 2021	Board seat	First investment date	Accounting treatment
First-Trust Fund Management Co., Ltd. (泰信基金管理有限公司) <sup>(1)</sup>	Management of securities investment funds	45.00%	Yes	May 2003	Investments accounted for using the equity method
Sinotruk Auto Finance Co., Ltd. (重汽汽車金融有限公司) (formerly known as Shandong HOWO Auto Finance Co., Ltd. (山東豪沃汽車金融有限公司))	Automobile financing	10.00%	Yes	September 2015	Investments accounted for using the equity method
Fullgoal Fund Management Co., Ltd. (富國基金管理有限公司)	Management of securities investment funds	16.68%	Yes	April 1999	Investments accounted for using the equity method
Taishan Property & Casualty Insurance Co., Ltd. (泰山財產保險股份有限公司)	Insurance products and services	9.85%	Yes	December 2010	Investments accounted for using the equity method

Name	Main business	Equity interest as at 30 June 2021	Board seat	First investment date	Accounting treatment
Dezhou Bank Co., Ltd. (德州銀行股份有限公司)	Commercial banking services	2.37%	Yes	November 2009	Investments accounted for using the equity method
Minsheng Securities Co., Ltd. (民生證券股份有限公司)	Securities brokerage, securities asset management and proprietary trading	1.16%	No	January 1999	Financial assets at FVPL

*Note:*

- (1) On 14 December 2020, the Company entered into an equity transfer agreement with Shandong Lucion Investment Holdings Group Co., Ltd. (山東省魯信投資控股集團有限公司) to dispose of its 45% equity interests held in First-Trust Fund Management Co., Ltd.. As at the date of this interim results announcement, the transfer has not been completed.

The Company uses the equity method to account for some of its long-term equity investments in companies that constituted associates of the Company under IFRSs, and account for the Company's long-term equity investments in other companies as financial assets at FVPL under the requirements of IFRS 9 "Financial Instruments" since 1 January 2018. The balance of the Company's long-term equity investments (including those accounted for as associates using the equity method, financial assets at FVPL) as at the dates indicated together with their investment return (in terms of dividend income generated) for the periods indicated below are summarised as follows:

	As at 30 June 2021	As at 31 December 2020 (Audited)
<i>(RMB in thousands)</i>		
<b>Long-term equity investments, accounted for:</b>		
— As associate using the equity method	1,794,317	1,642,703
— Investment categorised as financial assets at FVPL	271,335	289,680
<b>Total</b>	<b>2,065,652</b>	<b>1,932,383</b>

	Six months ended 30 June	
	2021	2020
	(RMB in thousands)	
<b>Dividend income generated from:</b>		
— As associate using the equity method	120,394	60,197
— Investment categorised as financial assets at FVPL	5,071	5,417
<b>Total</b>	<b>125,465</b>	<b>65,614</b>

The average investment returns of the Company's long-term equity investments (calculated as the total of the investment income (in terms of the dividend income received), annualised as a percentage of average investment balance in such long-term equity investments, where appropriate) were 8.5% and 12.6% for six months ended 30 June 2020 and 30 June 2021, respectively. The increase in average return on long-term equity investments in the first half of 2021 as compared to that of the first half of 2020 was primarily due to the increase in the dividend income received from associates in the first half of 2021.

#### *Proprietary Loans*

As at 31 December 2020 and 30 June 2021, the outstanding balance of the Company's proprietary loans were RMB994.0 million and RMB2,815.3 million, respectively.

#### *Trust Industry Protection Fund*

According to the *Administrative Measures on Trust Industry Protection Fund* (《信託業保障基金管理辦法》) issued by the CBRC in December 2014, trust companies are required to subscribe for a certain amount of the protection fund when conducting business. The Company's interests in the Trust Industry Protection Fund increased by 4.4% from RMB100.1 million as at 31 December 2020 to RMB104.5 million as at 30 June 2021.

### 3.3 Financial Overview

#### ***Unaudited Interim Condensed Consolidated Statement of Comprehensive Income Analysis***

In the first half of 2021, the net profit attributable to shareholders of the Company amounted to RMB400.9 million, which decreased by RMB113.3 million as compared to the corresponding period of last year, representing a decrease of 22.0%.

##### ***3.3.1 Results of Operations***

The following table summarises the Group's results of operations for the periods indicated:

	<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<i>(RMB in thousands)</i>	
Fee and commission income	<b>488,446</b>	571,351
Interest income	<b>442,397</b>	386,632
Net changes in fair value on financial assets at FVPL and investments in associates measured at fair value	<b>(135,419)</b>	54,434
Investment income	<b>170,696</b>	42,520
Net gains on disposal of investments in associates	<b>41,196</b>	54,882
Other operating income	<b>2,985</b>	27,247
<b>Total operating income</b>	<b>1,010,301</b>	1,137,066

	<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<i>(RMB in thousands)</i>	
Interest expenses	<b>(300,498)</b>	(171,259)
Staff costs (including directors and supervisors' emoluments)	<b>(74,673)</b>	(78,986)
Operating lease payments	<b>(4,363)</b>	(4,198)
Depreciation and amortisation	<b>(8,247)</b>	(6,707)
Change in net assets attributable to other beneficiaries of consolidated structured entities	<b>(26,683)</b>	(25,089)
Tax and surcharges	<b>(8,050)</b>	(8,017)
Impairment losses on financial assets, net of reversal	<b>(335,745)</b>	(312,580)
Impairment losses on other assets	–	(747)
Other operating expenses	<b>(26,345)</b>	(19,572)
<b>Total operating expenses</b>	<b>(784,604)</b>	(627,155)
Share of profit of investments accounted for using the equity method	<b>239,626</b>	140,148
<b>Profit before income tax</b>	<b>465,323</b>	650,059
Income tax expense	<b>(64,381)</b>	(135,791)
<b>Net profit attributable to shareholders of the Company</b>	<b>400,942</b>	514,268

### ***3.3.2 Total Operating Income***

#### *Fee and Commission Income*

The following table summarises the breakdown of the Group's fee and commission income for the periods indicated:

	<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<i>(RMB in thousands)</i>	
<b>Fee and commission income:</b>		
Trustee's remuneration	<b>488,446</b>	571,083
Others	–	268
<b>Total</b>	<b>488,446</b>	571,351

The Group's fee and commission income in the first half of 2021 was RMB488.4 million, representing a decrease of 14.5% as compared to RMB571.4 million in the first half of 2020. Such decrease was primarily due to a decrease in the Group's trustee's remuneration, which was caused by a decrease in AUM.

### *Interest Income*

The following table summarises the breakdown of the Group's interest income for the periods indicated:

	<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<i>(RMB in thousands)</i>	
<b>Interest income from:</b>		
Cash and bank balances	<b>3,201</b>	1,251
Loans to customers	<b>427,610</b>	377,572
Financial investments – amortised cost	<b>112</b>	2,679
Financial assets purchased under resale agreements	<b>10,411</b>	2,425
Contribution to Trust Industry Protection Fund	<b>1,063</b>	2,705
	<hr/>	<hr/>
<b>Total</b>	<b>442,397</b>	386,632
	<hr/>	<hr/>

The Group's interest income in the first half of 2021 was RMB442.4 million, representing an increase of 14.4% as compared to the RMB386.6 million in the first half of 2020. Such increase was primarily due to an increase in the size of grant of daily average loans in the consolidated structured entities which resulted in an increase in interest income recorded by the Group in the first half of 2021, and the Group's interest income from loans to customers increased by 13.3% from RMB377.6 million in the first half of 2020 to RMB427.6 million in the first half of 2021.

### *Net Changes in Fair Value on Financial Assets at FVPL and Investments in Associates Measured at Fair Value*

Net changes in fair value on financial assets at FVPL and investments in associates measured at fair value recorded a gain of RMB54.4 million in the first half of 2020 and a loss of RMB135.4 million in the first half of 2021, primarily due to the Group's disposal of financial assets at FVPL, and the income recognised in the previous years shall be transferred to the investment income.

### *Investment Income*

The following table summarises the breakdown of the Group's investment income for the periods indicated:

	<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<i>(RMB in thousands)</i>	
<b>Dividends income from:</b>		
Financial assets at FVPL	<b>5,171</b>	6,493
<b>Net realised gains from disposal of:</b>		
Financial assets at FVPL	<b>165,525</b>	36,027
<b>Total</b>	<b><u>170,696</u></b>	<b><u>42,520</u></b>

The Group's investment income in the first half of 2021 was RMB170.7 million, representing an increase of RMB128.2 million as compared to RMB42.5 million in the first half of 2020. Such increase was primarily due to the gains generated by the disposal of listed shares and mutual funds of the Group in the first half of 2021.

### ***3.3.3 Total Operating Expenses***

#### *Interest Expenses*

The Group's interest expenses represented (i) interest paid to China Trust Protection Fund Co., Ltd. (中國信託業保障基金有限責任公司); (ii) interest paid for inter-bank borrowings; and (iii) expected returns attributable to third-party beneficiaries of the Group's consolidated financing trust schemes (after offsetting the impairment losses attributable to such third-party beneficiaries).

The Group's interest expenses in the first half of 2021 were RMB300.5 million, which increased by 75.5% as compared to RMB171.3 million in the first half of 2020, primarily due to an increase in expected returns attributable to third-party beneficiaries of the Group's consolidated financing trust schemes (after offsetting the impairment losses attributable to such third-party beneficiaries) and interest paid to China Trust Protection Fund Co., Ltd.

*Staff Costs (including Directors and Supervisors' Emoluments)*

The following table summarises the breakdown of the Company's staff costs for the periods indicated:

	<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<i>(RMB in thousands)</i>	
Salaries and bonuses	<b>62,858</b>	70,948
Pension costs (defined contribution plans)	<b>3,499</b>	523
Housing funds	<b>3,307</b>	2,875
Labour union fee and staff education expenses	<b>1,527</b>	1,677
Other social security and benefit costs	<b>3,482</b>	2,963
<b>Total</b>	<b><u>74,673</u></b>	<b><u>78,986</u></b>

The Company's staff costs in the first half of 2021 were RMB74.7 million, which decreased by 5.5% as compared to RMB79.0 million in the first half of 2020, primarily due to a decrease in salaries and bonuses.

### *Impairment Losses on Financial Assets, Net of Reversal*

The following table summarises the breakdown of the Group's impairment losses on financial assets, net of reversal for the periods indicated:

	<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<i>(RMB in thousands)</i>	
Loans to customers	<b>346,434</b>	284,704
Financial investments – amortised cost	<b>(1,312)</b>	33,952
Trustee's remuneration receivable	<b>(1,534)</b>	(1,931)
Others	<b>(7,843)</b>	(4,145)
<b>Total</b>	<b><u>335,745</u></b>	<b><u>312,580</u></b>

Impairment losses on financial assets, net of reversal of the Group increased by 7.4% from RMB312.6 million in the first half of 2020 to RMB335.7 million in the first half of 2021, which was primarily due to the provision for asset impairment made by the Group based on the principle of prudent nature, caused by the strained liquidity of customers loans in stages granted by the Group, which was resulted from the influences of macro environment, industry environment and credit environment, together with several rounds of impact of the pandemic in the first half of 2021.

### *Share of Profit of Investments Accounted for Using the Equity Method*

The Group's share of profit of investments accounted for using the equity method increased by 71.0% from RMB140.1 million in the first half of 2020 to RMB239.6 million in the first half of 2021, primarily due to the increase in the net profit of certain investees.

### *Profit before Income Tax and Operating Margin*

The following table sets forth our profit before income tax and operating margin for the periods indicated:

	<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<i>(RMB in thousands)</i>	
Profit before income tax	<b>465,323</b>	650,059
Operating margin <sup>(1)</sup>	<b>46.1%</b>	57.2%

*Note:*

(1) Operating margin = Profit before income tax/total operating income.

As a result of the foregoing, the Group's profit before income tax decreased by 28.4% from RMB650.1 million in the first half of 2020 to RMB465.3 million in the first half of 2021, and the Group's operating margin decreased from 57.2% in the first half of 2020 to 46.1% in the first half of 2021.

### *Income Tax Expense*

The Group's income tax expense decreased by 52.6% from RMB135.8 million in the first half of 2020 to RMB64.4 million in the first half of 2021 primarily due to the decrease in the Group's profit before income tax in the first half of 2021.

### *Net Profit Attributable to Shareholders of the Company and Net Profit Margin*

The following table sets forth the net profit attributable to shareholders of the Company and the Company's net profit margin for the periods indicated:

	<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<i>(RMB in thousands)</i>	
Net profit attributable to shareholders of the Company	<b>400,942</b>	514,268
Net profit margin <sup>(1)</sup>	<b>39.7%</b>	45.2%

*Note:*

(1) Net profit margin = Net profit attributable to shareholders of the Company/total operating income.

As a result of the foregoing, the net profit attributable to the shareholders of the Company decreased by 22.0% from RMB514.3 million in the first half of 2020 to RMB400.9 million in the first half of 2021. The Group's net profit margin decreased from 45.2% in the first half of 2020 to 39.7% in the first half of 2021.

### ***3.3.4 Segment Results of Operations***

From the business perspective, the Company conducts its business through two main business segments, trust business and proprietary business. The following table sets forth the Group's segment income and its main components for the periods indicated:

	<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<i>(RMB in thousands)</i>	
<b>Trust business:</b>		
Operating income	<u>488,919</u>	<u>571,716</u>
Segment income	<u><b>488,919</b></u>	<u><b>571,716</b></u>
<b>Proprietary business:</b>		
Operating income	521,382	565,350
Share of profit of investments accounted for using the equity method	<u>239,626</u>	<u>140,148</u>
Segment income	<u><b>761,008</b></u>	<u><b>705,498</b></u>

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

	<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<i>(RMB in thousands)</i>	
Trust business	<b>(111,678)</b>	(112,129)
Proprietary business	<b>(672,926)</b>	(515,026)
<b>Total operating expenses</b>	<b><u>(784,604)</u></b>	<b><u>(627,155)</u></b>

The following table sets forth the Group's segment profit before income tax for the periods indicated, which is calculated as segment income minus segment operating expenses:

	<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<i>(RMB in thousands)</i>	
Trust business	<b>377,241</b>	459,587
Proprietary business	<b>88,082</b>	190,472
<b>Total profit before income tax</b>	<b><u>465,323</u></b>	<b><u>650,059</u></b>

The following table sets forth the Group's segment margin for the periods indicated, which is calculated as segment profit before income tax divided by the segment income:

	<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
Trust business	<b>77.2%</b>	80.4%
Proprietary business	<b>11.6%</b>	27.0%

### ***3.3.5 Trust Business***

The segment income from the Group's trust business consists of its fee and commission income, interest income from cash and bank balance and other operating income that are related to the Group's trust business. Segment operating expenses of the Group's trust business consist of staff costs, depreciation and amortisation, tax and surcharges and other operating expenses that are related to the Group's trust business.

The segment profit before income tax for the Group's trust business decreased by 17.9% from RMB459.6 million in the first half of 2020 to RMB377.2 million in the first half of 2021, primarily due to a decrease of 14.5% in the segment income from the trust business from RMB571.7 million in the first half of 2020 to RMB488.9 million in the first half of 2021.

The decrease in the segment income from the trust business was mainly due to a decrease in the Group's fee and commission income from RMB571.4 million in the first half of 2020 to RMB488.4 million in the first half of 2021.

The segment operating expenses from the trust business remained stable as compared to the same period of the previous year.

As a result of the foregoing, the segment margin of the trust business decreased from 80.4% in the first half of 2020 to 77.2% in the first half of 2021.

### ***3.3.6 Proprietary Business***

The segment income from the Group's proprietary business mainly consists of the interest income from loans to customers, interest income from financial investment – amortised cost and financial assets purchased under resale agreements, interest income from contribution to Trust Industry Protection Fund, net changes in fair value on financial assets at FVPL and investment in associates measured at fair value, investment income, net gains on disposal of investments in associates and share of profit of investments accounted for using the equity method. The segment operating expenses of the Group's proprietary business mainly consists of the trust benefits that are expected to be distributed to third-party beneficiaries by the Group's consolidated financing trust schemes, staff costs, depreciation and amortisation, change in net assets attributable to third-party beneficiaries of the Group's structural entities, tax and surcharges and impairment losses on financial assets.

The segment profit before income tax for the Group's proprietary business decreased from RMB190.5 million in the first half of 2020 to RMB88.1 million in the first half of 2021, primarily due to an increase of 30.7% in the segment operating expenses from the proprietary business from RMB515.0 million in the first half of 2020 to RMB672.9 million in the first half of 2021, partly offset by the increase in segment income from the proprietary business by 7.9% from RMB705.5 million in the first half of 2020 to RMB761.0 million in the first half of 2021.

- (1) The increase in segment operating expenses from the proprietary business was mainly due to an increase in interest expenses from RMB171.3 million in the first half of 2020 to RMB300.5 million in the first half of 2021.

- (2) The increase in the segment income from the proprietary business was mainly due to (i) an increase in interest income from RMB386.3 million in the first half 2020 to RMB441.9 million in the first half of 2021; (ii) an increase in investment income from RMB42.5 million in the first half 2020 to RMB170.7 million in the first half of 2021; and (iii) an increase in share of profit of investments accounted for using the equity method from RMB140.1 million in the first half of 2020 to RMB239.6 million in the first half of 2021. The interest income, investment income and share of profit of investments accounted for using the equity method are partially offset by a loss of RMB135.4 million in the first half of 2021 in net changes in fair value on financial assets at FVPL and investments in associates measured at fair value, which recorded a revenue of RMB54.4 million in the first half of 2020.

As a result of the foregoing, the segment margin of the Group's proprietary business decreased from 27.0% in the first half of 2020 to 11.6% in the first half of 2021.

### ***3.3.7 Selected Interim Condensed Consolidated Financial Positions***

The Group's interim condensed consolidated statements of financial positions include the proprietary assets and liabilities of the Company as well as the assets and liabilities of the Company's consolidated trust schemes. The net assets attributable to third-party beneficiaries of the Group's consolidated trust schemes are accounted for as liabilities in the Group's interim condensed consolidated statements of financial positions.

#### ***Assets***

As at 31 December 2020 and 30 June 2021, the total assets of the Group (including the Company and the trust schemes over which the Company has control) amounted to RMB20,683.8 million and RMB22,076.3 million, respectively, of which the total assets of the Company amounted to RMB10,974.5 million and RMB13,215.8 million, respectively. The Group's major assets consist of (i) loans to customers, (ii) investments in associates, (iii) financial assets at FVPL, (iv) cash and bank balance, (v) trustee's remuneration receivable, and (vi) financial assets purchased under resale agreements. As at 30 June 2021, the above-mentioned major assets accounted for 62.2%, 14.5%, 8.6%, 6.2%, 0.7% and 2.7%, respectively, of the total assets of the Group.

## *Loans to Customers*

The following table sets forth the gross amount of the Group's loans to customers, interest receivable, expected credit losses allowance, net amount of the Group's loans to customers, as well as classification of the Group's loans to customers into non-current and current assets as at the dates indicated:

	As at <b>30 June 2021</b>	As at 31 December 2020 (Audited)
	<i>(RMB in thousands)</i>	
Corporate loans – at amortised cost	<b>15,517,538</b>	14,232,249
Interest receivable	<b>109,100</b>	72,446
Less: Expected credit losses allowance – Loans	<b>(1,899,888)</b>	(1,555,395)
Expected credit losses allowance –		
Interest receivable	<b>(3,667)</b>	(1,726)
<b>Loans to customers, net</b>	<b>13,723,083</b>	12,747,574
Presented as:		
Non-current assets	<b>10,423,950</b>	9,641,926
Current assets	<b>3,299,133</b>	3,105,648
<b>Loans to customers, net</b>	<b>13,723,083</b>	12,747,574

The majority of the Group's loans to customers were granted by the Company's consolidated trust schemes.

The Group's loans to customers were mostly granted to corporate customers during the Reporting Period.

Some of the loans granted by the Group's trust schemes to which it made proprietary investment and consolidated into the Group's financial statements were identified as impaired during the Reporting Period. The gross amount of such impaired loans increased by 13.4% from RMB8,657.3 million as at 31 December 2020 to RMB9,816.2 million as at 30 June 2021. The aggregate fair value of collateral (estimated based on the latest external valuations available and adjusted by the experience of realisation of the collateral in current market conditions) for such loans outstanding as at 31 December 2020 and 30 June 2021 were RMB7,282.4 million and RMB9,134.4 million, respectively. The Group determined the provision for impairment losses on those loans through expected credit losses assessments and made allowance for impairment of RMB1,422.6 million and RMB1,729.3 million for these impaired loans as at 31 December 2020 and 30 June 2021, respectively,

representing 16.4% and 17.6% of the gross amount of those loans, respectively. The Group has provided impairment allowances as such impairment allowances were provided in accordance with the provisions under IFRS 9 “Financial Instruments”. Such impairment allowances were measured by the difference between the carrying amount of those impaired loans and the present value of estimated future cash flows of those loans, and in particular, the disposal proceeds after deduction of expenses attributable to such disposals as at each of the respective balance sheet dates. The gross amount of such impaired loans represented 60.8% and 63.3% of the Group’s gross loans to customers as at 31 December 2020 and 30 June 2021, respectively.

The Company is allowed to grant loans to customers using its proprietary assets, which are referred to as the Company’s proprietary loans. As at 30 June 2021, the gross amount of proprietary loans and the net amount of proprietary loans of the Company accounted for 20.3% and 20.7% of the gross amount of the Group’s loans to customers and the net amount of the Group’s loans to customers, respectively.

The following table sets forth the gross amount of the Company’s proprietary loans, interest receivable, expected credit losses allowance, net amount of such loans, as well as classification of such loans into non-current and current assets as at the dates indicated:

	<b>As at 30 June 2021</b>	As at 31 December 2020 (Audited)
	<i>(RMB in thousands)</i>	
Corporate loans – at amortised cost	<b>3,143,730</b>	993,950
Interest receivable	<b>36,473</b>	–
Less: Expected credit losses allowance – Loans	<b>(328,389)</b>	–
Expected credit losses allowance – Interest receivable	<b>(911)</b>	–
<b>Loans to customers, net</b>	<b>2,850,903</b>	993,950
Presented as:		
Non-current assets	<b>1,846,240</b>	–
Current assets	<b>1,004,663</b>	993,950
<b>Loans to customers, net</b>	<b>2,850,903</b>	993,950

As the Company's proprietary loans were granted to counterparty clients of the Company, changes in the amount of such loans during the Reporting Period mainly reflected the Company's agreements with different counterparty clients at different times.

### *Investments in Associates*

The Group has made equity investments in various companies. When the Group has significant influence but no control over a target company, the Group treats such investee company as an associate and the Group accounts for its investments in associates using the equity method of accounting or measured at fair value. The following table sets forth the associates of the Company, the associates indirectly held by the Group through consolidated structured entities measured at equity accounting, associates indirectly held by the Group through consolidated structured entities measured at fair value and the book value of investments in them as at the dates indicated:

	Equity Interest as at 30 June 2021	As at 30 June 2021	As at 31 December 2020 (Audited) (RMB in thousands)
<b>Associates of the Company, measured at equity accounting:</b>			
Fullgoal Fund Management Co., Ltd. (富國基金管理有限公司)	16.68%	955,856	869,824
Taishan Property & Casualty Insurance Co., Ltd. (泰山財產 保險股份有限公司)	9.85%	210,364	215,101
Sinotruk Auto Finance Co., Ltd. (重汽汽車金融有限公司)	10.00%	203,864	207,775
Shandong Luxin Xinjiu Kinetic Energy Conversion Venture Capital parent fund (limited partnership) (山東省魯信新舊 動能轉換創投母基金合夥企 業(有限合夥))	26.00%	162,680	148,739
Dezhou Bank Co., Ltd. (德州銀行 股份有限公司)	2.37%	115,836	110,344
First-Trust Fund Management Co., Ltd. (泰信基金管理有限公司)	45.00%	71,043	52,410

	Equity Interest as at 30 June 2021	As at 30 June 2021	As at 31 December 2020 (Audited) (RMB in thousands)
Tailong Health Industry Investment Company Limited (太龍健康產 業投資有限公司)	18.60%	72,030	35,626
Others		2,644	2,884
<b>Gross amount</b>		<b>1,794,317</b>	<b>1,642,703</b>
Less: Impairment allowance		—	—
<b>Subtotal</b>		<b>1,794,317</b>	<b>1,642,703</b>
<b>Associates indirectly held by the Group through consolidated structured entities, measured at equity accounting:</b>			
Shandong Provincial Financial Asset Management Co., Ltd. (山東省 金融資產管理股份有限公司)	1.50%	667,122	674,489
Others		35,585	71,859
<b>Gross amount</b>		<b>702,707</b>	<b>746,348</b>
Less: Impairment allowance		(10,000)	(10,000)
<b>Subtotal</b>		<b>692,707</b>	<b>736,348</b>
<b>Associates indirectly held by the Group through consolidated structured entities, measured at fair value:</b>			
Tengzhou Haide Park Property Co., Ltd. (滕州海德公園地產有限 公司)	3.60%	151,210	151,210
Huizhou Zhengfeng Industrial Investment Co., Ltd. (惠州市正 豐實業投資有限公司)	15.20%	120,000	120,000
Cangzhou Liangsheng Property Development Co., Ltd. (滄州梁 生房地產開發有限公司)	39.00%	111,088	111,088
Nanyang Liangheng Real Estate Co., Ltd. (南陽梁恒置業有限公司)	49.00%	52,920	82,320

	Equity Interest as at 30 June 2021	As at 30 June 2021	As at 31 December 2020 (Audited) <i>(RMB in thousands)</i>
Tianjin Liangxin Property Development Co., Ltd.(天津梁 信房地產開發有限公司)		—	89,047
Huangshi Liangsheng Real Estate Development Co., Ltd. (黃石梁 晟房地產開發有限公司)	28.00%	91,379	94,179
Tianjin Liangshun Property Development Co., Ltd. (天津梁 順房地產開發有限公司)		—	70,496
Nanyang Zhongliang Chengtong Real Estate Co., Ltd. (南陽中梁城通 置業有限公司)	20.00%	49,315	49,315
Ankang Liangsheng Foundation Real Estate Co., Ltd. (安康梁盛基業 置業有限公司)	20.00%	37,840	37,840
Yunnan Hongshan City Investment Development Co., Ltd. (雲南虹 山城市投資發展有限公司)	15.00%	30,000	30,000
Weifang Hengru Real Estate Co., Ltd. (濰坊恒儒置業有限公司)	15.00%	15,000	15,000
Shenzhen Qianhai Run Xin Investment Co., Ltd. (深圳前海 潤信投資有限公司)	30.00%	13,234	13,234
Dongying Liangsheng Real Estate Co., Ltd. (東營梁盛置業有限 公司)	33.00%	43,560	—
<b>Subtotal</b>		<b>715,546</b>	<b>863,729</b>
<b>Total</b>		<b>3,202,570</b>	<b>3,242,780</b>

### *Financial Assets at FVPL*

The following table sets forth the components and amount of the Group's financial assets at FVPL as at the dates indicated:

	As at 30 June 2021	As at 31 December 2020 (Audited) (RMB in thousands)
Listed shares	19,814	90,395
Equity investments in unlisted entities	286,123	289,680
Asset management products	131,683	107,077
Mutual funds	689,634	618,447
Bonds	518,305	886,168
Investments in trust schemes	144,424	129,436
Investments in Trust Industry Protection Fund	113,255	115,253
<b>Total</b>	<b>1,903,238</b>	<b>2,236,456</b>

The changes in the major composition of the Group's financial assets at FVPL were due to the flexible adjustment of portfolio based on the market conditions by the Group in order to increase investment returns. Financial assets at FVPL decreased by 14.9% from RMB2,236.5 million as at 31 December 2020 to RMB1,903.2 million as at 30 June 2021, primarily due to the Group's (i) decrease of investments in bonds; (ii) decrease of investments in listed shares.

### *Cash and Bank Balance*

As at 31 December 2020 and 30 June 2021, the Group's cash and bank balance amounted to RMB969.5 million and RMB1,376.4 million, respectively, of which RMB698.8 million and RMB133.9 million, respectively, were proprietary assets of the Company, and the remaining was cash and bank balance of the Group's consolidated trust schemes.

### *Trustee's Remuneration Receivable*

The Group's trustee's remuneration receivable represents the trustee's remuneration that has accrued to the Company as the trustee but has not yet been paid from the trust accounts of its unconsolidated trust schemes to the Company's proprietary accounts.

The Group's trustee's remuneration receivable decreased by 2.3% from RMB165.9 million as at 31 December 2020 to RMB162.1 million as at 30 June 2021. The Company, as the trustee, has closely monitored the trust accounts of its unconsolidated trust schemes, and the Company is usually allowed to collect its trustee's remuneration in arrears in one or more instalments according to the Company's trust contracts. The Company is normally only allowed to receive trustee's remuneration after the trust has paid its quarterly interests, and the Company expects to continue to have certain amount of trustee's remuneration receivable in the future. As at 31 July 2021, 21.5% of the trustee's remuneration receivable was recovered.

### *Financial Assets Purchased under Resale Agreements*

The Group's financial assets purchased under resale agreements consist of the government bonds purchased under agreements to resell as part of its proprietary business.

The Group's government bond purchased under agreements to resell increased from RMB107.1 million as at 31 December 2020 to RMB595.0 million as at 30 June 2021. These changes were due to the flexible adjustment of the business scale of the Company's based on the overall market condition and interest rates, and such adjustment resulted in a change in the amounts of the Group's government bonds purchased under agreements to resell as at 31 December 2020 and 30 June 2021, respectively.

### *Contribution to Trust Industry Protection Fund due from Counterparty Clients*

Pursuant to the *Measures for the Administration of Trust Industry Protection Fund* (《信託業保障基金管理辦法》) issued by the CBRC in December 2014, counterparty clients of the Company's financing trusts should make contributions to Trust Industry Protection Fund and the Company should collect the required contribution funds from its counterparty clients and pay to Trust Industry Protection Fund on behalf of the counterparty clients. Upon liquidation of a financing trust, Trust Industry Protection Fund will return to the Company the contribution funds and any accrued interests and the

Company then distributes them to the counterparty clients. From time to time, however, the Company may agree to pay such contribution funds on behalf of its counterparty clients, and in such circumstances, the Company will be entitled to keep the contribution funds and any accrued interests when they are returned to it by Trust Industry Protection Fund upon liquidation of the relevant financing trusts. The Company adopts such practice in order to avoid any unnecessary payment transactions between itself and its counterparty clients and to provide better services. The Company will not be subject to the credit risk of its counterparty clients as a result of such practice because the contribution funds will be returned to the Company by the Trust Industry Protection Fund upon liquidation of the financing trusts.

The Company recorded the amounts of contribution funds it has paid on behalf of its counterparty clients as contribution to Trust Industry Protection Fund due from its counterparty clients, which amounted to RMB289.4 million and RMB228.4 million as at 31 December 2020 and 30 June 2021, respectively, among which RMB179.5 million and RMB99.2 million were classified as non-current assets, and RMB109.9 million and RMB129.2 million were classified as current assets. Instead of collecting such amounts from the counterparty clients before liquidation of the financing trusts, the Company recovers such amounts from distributions to be made by Trust Industry Protection Fund upon termination of the financing trusts. At the end of the Reporting Period, the Company has not encountered any difficulties in recovering such amounts from distributions made by Trust Industry Protection Fund upon termination of the Company's financing trusts.

### *Liabilities*

As at 31 December 2020 and 30 June 2021, the Group's total liabilities amounted to RMB10,508.7 million and RMB11,491.9 million, respectively. As a trust company in the PRC, the Company is not allowed to incur any debt in operating its business other than through inter-bank borrowings or otherwise allowed by the CBIRC. The Group's major liabilities during the Reporting Period included net assets attributable to other beneficiaries of consolidated structured entities (both current and non-current portions), short-term borrowings, salary and welfare payable (both current and non-current portions) and other current liabilities. As at 30 June 2021, the net assets attributable to other beneficiaries of consolidated structured entities (both current and non-current portions), short-term borrowings, salary and welfare payable (both current and non-current portions) and other current liabilities accounted for 76.6%, 13.9%, 1.2% and 7.3% of the Group's total liabilities, respectively.

### *Net Assets Attributable to Other Beneficiaries of Consolidated Structured Entities (both Current and Non-current Portions)*

The net assets attributable to other beneficiaries of consolidated structured entities represent third-party beneficiaries' share of net assets of the Company's consolidated trust schemes. Under the PRC laws and regulations, these third-party beneficiaries' entitlements are limited to the available assets of the relevant trust schemes, and as long as the Company does not breach its duty as a trustee, the Company will not be required to use any of its proprietary assets to pay for such third-party beneficiaries' entitlements. In addition, the Company cannot use, and is prohibited from using, the assets of a consolidated trust scheme to pay for any beneficiary of another consolidated trust scheme. As such, while the net assets attributable to other beneficiaries of consolidated structured entities are accounted for as the Group's liabilities, such liabilities are limited to the net assets of the relevant consolidated trust schemes.

The Group's total net assets attributable to other beneficiaries of consolidated structured entities (both current and non-current portions) decreased by 6.9% from RMB9,459.8 million as at 31 December 2020 to RMB8,804.2 million as at 30 June 2021. Changes in such amount mainly reflected changes in the net assets of the Group's consolidated trust schemes as well as the change in percentage of the Company's proprietary investment in such trust schemes.

### *Short-term Borrowings*

As at 30 June 2021, the Group's short-term borrowings amounted to RMB1,600.0 million were interest-bearing loans from China Trust Protection Fund Co., Ltd. that fall due in February and March 2022.

### *Other Current Liabilities*

The Group's other current liabilities during the Reporting Period consisted mainly of proceeds due to the National Council for Social Security Fund of the PRC (全國社會保障基金理事會), and Trust Industry Protection Fund collected from counterparty clients of the Company's financing trusts, value-added tax and surcharges for trusts, deferred trustee's remuneration and other tax payable.

The Company's Trust Industry Protection Fund collected from counterparty clients of its financing trusts decreased from RMB196.0 million as at 31 December 2020 to RMB172.1 million as at 30 June 2021.

The Company's deferred trustee's remuneration increased from RMB13.9 million as at 31 December 2020 to RMB19.8 million as at 30 June 2021.

*The Notice in relation to Value-Added Tax Policies on Asset Management Products (Cai Shui [2017] No. 56) 《關於資管產品增值稅有關問題的通知》(財稅[2017]56 號)* was promulgated by the Ministry of Finance of the PRC and State Taxation Administration on 30 June 2017 (the “**Notice**”). The Notice requires that, with effect from 1 January 2018, VAT-taxable acts committed by a manager of asset management products during the operation of asset management products shall, for the time being, be governed by the method of simplified VAT taxation, and be subject to VAT at the levy rate of 3%. The trust schemes operated by the Company shall pay the VAT pursuant to the Notice. The VAT shall be submitted to the competent taxation authority through a special account of the Company. As at 30 June 2021, the outstanding VAT for trusts and the related surcharges amounted to RMB63.2 million.

#### *Off-balance Sheet Arrangements*

As at 30 June 2021, the Group did not have any outstanding off-balance sheet guarantees or foreign currency forward contracts.

### ***3.3.8 AUM, Asset Quality and Financial Performance of Consolidated Trust Schemes***

The Group's results of operations and financial condition have been significantly affected by the AUM, asset quality and financial performance of the Company's consolidated trust schemes. While, under PRC laws and regulations, the assets of trust schemes under the Company's management are distinct and separate from the Company's proprietary assets and the Company is not responsible to its trustor clients or the beneficiaries for any loss of trust assets under its management, except for losses caused by the Company's failure to properly fulfill its duty as a trustee, the Company has consolidated some of the trust schemes under its management pursuant to the IFRSs. Those trust schemes are deconsolidated when the Company ceases to have control over them. During the Reporting Period, deconsolidation of the Company's consolidated trust schemes generally occurred when such trust schemes were disposed of or were liquidated upon the expiry of their terms.

As at 31 December 2020 and 30 June 2021, the Company had consolidated 50 and 49 of the trust schemes under its management, respectively, and the total trust assets of these consolidated trust schemes were RMB15,220.3 million and RMB14,420.1 million, respectively. The following table sets forth changes in the number of the Group's consolidated trust schemes during the Reporting Period:

	As at 30 June 2021	As at 31 December 2020
<b>Beginning:</b>	<b>50</b>	<b>58</b>
Newly consolidated trust schemes	<b>1</b>	<b>10</b>
Deconsolidated trust schemes	<b>2</b>	<b>18</b>
<b>Ending:</b>	<b>49</b>	<b>50</b>

The consolidation of these trust schemes significantly increased the Company's total assets during the Reporting Period due to the inclusion of assets of these trust schemes (consisting of loans to customers, financial assets at FVPL, investments in associates and other assets) in the Company's total assets. The following table illustrates the impact on the Company's total assets resulting from the consolidation of these trust schemes during the Reporting Period:

	As at 30 June 2021	As at 31 December 2020 (Audited) <i>(RMB in millions)</i>
Total assets of the Company	<b>13,215</b>	10,975
Total assets of consolidated trust schemes	<b>14,420</b>	15,220
Consolidation adjustment	<b>(5,559)</b>	(5,511)
<b>Total assets of the Group</b>	<b>22,076</b>	20,684

However, the impact on the Group's total assets largely corresponded to the significant increase in the Group's total liabilities due to the inclusion of liabilities of these trust schemes (presented as “**Net assets attributable to other beneficiaries of consolidated structured entities**” in the Group's consolidated balance sheet) in the Group's total liabilities. The following table illustrates the impact on the Group's total liabilities resulting from the consolidation of these trust schemes during the Reporting Period:

	As at <b>30 June 2021</b>	As at 31 December 2020 (Audited)
	<i>(RMB in millions)</i>	
Total liabilities of the Company	<b>2,717</b>	889
Total liabilities of consolidated trust schemes	<b>14,420</b>	15,220
Consolidation adjustment	<b>(5,645)</b>	(5,600)
<b>Total liabilities of the Group</b>	<b><u>11,492</u></b>	<b><u>10,509</u></b>

As a result of the foregoing, the impact on the Group's net assets or equity from consolidation of these trust schemes was thus significantly reduced. The following table illustrates the impact on the Group's total equity resulting from the consolidation of these trust schemes during the Reporting Period:

	As at <b>30 June 2021</b>	As at 31 December 2020 (Audited)
	<i>(RMB in millions)</i>	
Total equity of the Company	<b>10,498</b>	10,086
Consolidation adjustment	<b>86</b>	89
<b>Total equity of the Group</b>	<b><u>10,584</u></b>	<b><u>10,175</u></b>

The consolidation of these trust schemes also significantly affected the Group's results of operations. For example, all trustees' remunerations the Company was entitled to from these consolidated trust schemes were eliminated as a result of consolidation and thereby reduced the Company's fee and commission income. In addition, the consolidation of these trust schemes increased the Group's interest income due to inclusion of interest income generated from loans granted by the Group's consolidated trust schemes. It also increased the Group's interest expense which represented interest income of the Group's consolidated financing trust schemes that were expected to be distributed to third-party beneficiaries of such trust schemes. These impacts on income and expenses largely offset each other, the resulting impact on net profit attributable to the Company's shareholders has been reduced. The following table illustrates the impact on net profit attributable to shareholders of the Company resulting from the consolidation of these trust schemes during the Reporting Period:

	<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<i>(RMB in millions)</i>	
Net profit attributable to shareholders of the Company before consolidation of trust schemes	<b>405</b>	480
Impact of consolidation of trust schemes	<b>(4)</b>	34
<b>Net profit attributable to shareholders of the Group after consolidation of trust schemes</b>	<b><u>401</u></b>	<b><u>514</u></b>

In determining whether a trust scheme should be consolidated involves a substantial subjective judgment by the Company's management. The Company assesses whether a trust scheme should be consolidated based on the contractual terms as to whether the Company is exposed to risks of, or has rights to, variable returns from the Company's involvement in the trust and have the ability to affect those returns through the Company's power to direct the activities of the trust. The contractual terms of those consolidated trust schemes usually have some or all of the following features:

- (1) Whether the Company has power over the trust scheme, and whether the Company can exercise the rights that give the Company the ability to affect the relevant activities of the trust scheme. Usually the Company has such power when it acts as the trustee of those actively managed trusts, as the contractual terms in the trust contracts allow the Company to determine the selection of assets or projects in which the trust assets will be invested in, to perform due diligence on the assets or projects as well as the counterparties that hold the assets or projects, to determine the pricing strategy, and to be actively involved in the ongoing management and disposition of the trust assets;
- (2) Whether the Company is exposed to the risks of or has rights to, variable returns from its involvement as the trustee when the Company's returns from its involvement have the potential to vary as a result of the performance of the trust scheme. Such variable returns may either form a part of the investment returns from the trust scheme when the Company has proprietary funds invested in the trust scheme, or as floating trustee's remuneration as are calculated according to the relevant terms in the trust contracts; and
- (3) Whether the Company controls the trust scheme that the Company not only has the power over the trust scheme and exposure or rights to variable returns from its involvement, but also the ability to use its power to affect the returns from the trust scheme. As the Company is responsible for the planning, pricing, setting of beneficial rights, management and operations of those actively managed trust schemes as the trustee, the Company may have the ability to significantly affect its returns from such trust schemes. For example, where the Company subscribes for a significant portion of a trust scheme, or in case the Company decides to provide liquidity support to a troubled trust, the Company intentionally uses its rights as the trustee and ability to invest using proprietary funds, so as to associate itself with the variable returns from such trust schemes.

Under IFRSs, the greater the magnitude and variability of the returns that the Company is exposed to from the Company's involvement with a trust scheme, the more likely that the Company will be deemed to have control over the trust scheme and be required to consolidate it. However, there is no bright line test and the Company is required to consider all the relevant factors as a whole.

Given the Company's limited decision-making authority over administrative management trusts and because the Company has not made any proprietary investment in the Company's administrative management trusts during the Reporting Period, the Company had not been required to consolidate any administrative management trusts during the Reporting Period.

With respect to the Company's actively managed trusts, the Company is more likely to be required to consolidate those in which it has made proprietary investments and therefore may be subject to substantial variable return resulting from such investments. The contract terms of the Company's consolidated actively managed trust schemes with respect to the Company's power and authority do not differ materially from those of its unconsolidated actively managed trusts. The amount of proprietary investment the Company has made in an actively managed trust as a percentage of its total trust assets has been, and will be, a differentiating factor in determining whether the Company was, and will be, required to consolidate such trust. Variable return may also be affected by the allocation and distribution of trust beneficiaries pursuant to the terms and conditions of respective trust contract, when the Company determines whether a trust scheme should be consolidated or not.

During the Reporting Period, the Company had not consolidated any administrative management trust schemes and had not consolidated any actively managed trust schemes in which it did not make any proprietary investments.

### **3.4 Risk Management**

#### ***Overview***

The Company has been devoted to establishing risk management and internal control systems consisting of objectives, principles, organisational framework, procedures and methods against key risks that the Company considers to be appropriate for its business operations, and the Company has developed a comprehensive risk management system covering all aspects of its business operation. The sophisticated risk management culture, target-oriented and sound risk management system and mechanisms of the Company ensure the sustainable and stable operation of the Company's business and provide a solid basis for the Company's identification and management of risks involved in its business operation.

### ***3.4.1 Risk Management Organisational Structure***

The integrated risk management organisational structure of the Company is included in every level of the Company's corporate governance, including (1) shareholders' general meeting; (2) the Board of Directors and its Strategies and Risk Management Committee, Audit Committee and Business Decision Committee; (3) the board of supervisors of the Company (the "**Board of Supervisors**"); (4) General Manager's Office Meeting; (5) Trust Business Review Committee; (6) Trust Business Ad-hoc Issue Coordination Group; and (7) other functional departments, including the Risk Control Department, Legal & Compliance Department, Trust & Finance Department (Operation Centre), Financial Management Department, Information Technology Department, Asset Supervision Centre, Audit Department, Asset Disposition Department, Proprietary Business Management Department and other departments. Finally, all trust business departments of the Company (including Regional Business Units) are required to assume primary risk management responsibilities.

### ***3.4.2 Factors Affecting the Company's Results of Operations***

The following factors are the principal adverse and favourable factors that have affected and, the Company expects, will continue to affect the Company's business, financial condition, results of operations and prospects.

#### ***General Economic and Financial Market Conditions***

The Company's business operations are conducted in China and most of the Company's income is generated within China. As a financial institution in China, the Company's business, financial condition, results of operations and prospects are significantly affected by general economic and financial market conditions of China.

After Chinese economy has experienced rapid growth over the past 40 years, it has entered a stage of high-quality development characterised by economic structure optimisation, industry transformation and upgrading. The structural transformation of the Chinese economy and fluctuations in macroeconomic policy and financial market present challenges for the Company's business. For example, regulation of the real estate industry in China and control on local governments to incur debts may negatively affect the Company's trust business. Under the background of COVID-19 pandemic, economic slowdown and

structural adjustment, macroeconomic situation created certain pressure and constraint on the capital and asset sides of trust industry. The Company's clients may reduce their investment activities or financing needs during times of economic slowdown, which may reduce the demand for the Company's various types of trust products. Financial risks of individual cases may break out more often during times of economic slowdown, which may increase the default risks of the Company's counterparties. In 2020, the sudden COVID-19 pandemic has a huge impact on China and world economy, and many market players have been exposed to unprecedented pressure. Although China's economy has begun to recover, the pandemic may reduce the market demand for the Company's business. On the other hand, the Company may identify new business opportunities during such economic transformation and take advantages of the changes in financial market conditions and the Company may increase its business in areas that can counteract the impact of downward economic cycle. However, there are still uncertainties as to whether the Company will be able to effectively respond to changes in general economic and financial market conditions, and the increase in the Company's innovative business may not be able to offset the decline in its traditional business, and therefore the Company's trust business will continue to be significantly affected by the general economic and financial market conditions in China.

The Company has made proprietary investments in different kinds of financial institutions in China, and a significant portion of the Company's proprietary assets are held in the form of various kinds of financial products. The value of these investments is materially affected by the general economic conditions, performance of the capital markets and investor sentiment. As such, changes in general economic and financial market conditions of China will also affect the value of, and investment income from, the Company's proprietary investments.

### *Regulatory Environment*

The Company's results of operations, financial condition and development prospects are affected by regulatory developments in the PRC. CBIRC, the main regulatory authority for the PRC trust industry, has been continuously monitoring the development status of the industry and issuing various regulations and policies to encourage or discourage or even prohibit conducting certain types of trust business from time to time. The Company will need to continuously adjust its trust business structure and mode of operation to conform to these regulations and policies, which may have positive or negative impact on the size, income or profitability of the Company's trust business. In April 2018, the People's Bank of China, the CBIRC, the China Securities Regulatory Commission and the State Administration of

Foreign Exchange jointly issued the *Guiding Opinions on Regulating Asset Management Business of Financial Institution (Yin Fa [2018] No. 106)* (《關於規範金融機構資產管理業務的指導意見》(銀發[2018]106號)) to unify the regulatory standards of asset management business by product types, requiring, among other things, financial institutions including trust companies to carry out “de-channeling” and “reduce nested systems” in conducting the asset management business. In 2020, the CBIRC made clear requirements for the pressure drop of trust companies’ channel business and financing business, insisting on the goal of “de-channeling”, “nesting elimination”, continuing to standardise business development and guiding trust companies to accelerate business model transformation. Such policies may impose certain tightening effects on the operation of trust companies in the short term, while in the long term, they are conducive to trust companies in enhancing the active management capability and revisiting to the fundamentals of trust industry. However, the regulatory authorities may also restrict the development of certain businesses of trust companies from time to time, which may have an adverse effect on the Company’s business.

In addition, the regulatory environment of other financial industries in China may also indirectly impact the Company’s trust business. For example, in September 2018, the CBIRC promulgated the *Administrative Measures for Supervision of Wealth Management Business of Commercial Banks* (《商業銀行理財業務監督管理辦法》) and the *Administrative Measures for Wealth Management Subsidiaries of Commercial Banks* (《商業銀行理財子公司管理辦法》) in December 2018, which clearly stipulated the wealth management business of commercial banks, allowing commercial banks to develop asset management services through the establishment of financial management subsidiaries. The Company has traditionally benefited from the expanded business scope under the Company’s trust license. However, other financial institutions, such as commercial banks and subsidiaries of commercial banks, may be able to offer an increasing number of products and services that are similar to these offered by the Company and the Company may lose some of its advantages and face increased competition as a result.

### *Business Lines and Product Mix*

The Company has two business segments, namely trust business and proprietary business. The Company's historical financial results were significantly affected by the fee and commission income from the Company's trust business. As a result, any material changes in the Company's trust business, such as in terms of client development, growth strategies and regulatory requirements, may significantly affect the Company's financial condition and results of operations. The Company also offers a variety of trust products, including actively managed trusts, which have relatively high trust remuneration rates, and administrative management trusts, which have relatively low trust remuneration rates. The Company has financing trusts that provide financings to counterparty clients in different industries and investment trusts that invest the Company's trustor clients' assets into different asset classes. Therefore, different types of trust products will have different risk-and-return profiles and will require different means of management from the Company, which will affect the trustee's remuneration of the Company. As a result, the overall financial performance of the Company's trust business would be significantly affected by the relative weight of different types of trust products the Company provides. The Company also generates interest income and investment income from its proprietary business by allocating its proprietary assets into different asset classes. The performance of the Company's proprietary business is affected by its proprietary assets allocation plan, market condition, interest rate as well as the Company's investment and risk management capability, and will also significantly affect the Company's financial position and results of operation.

The Company continues to diversify the Company's trust products by designing more trust products tailored to different and emerging demands and providing more active assets management services. As a result, the Company's future results of operations and financial condition could be significantly affected by the Company's ability to design, develop and manage more trust products that are attractive to the Company's counterparty clients and trustor clients and allow the Company to maintain or increase the trustee's remuneration rates. The Company also seeks to further improve its proprietary business through optimization of asset allocation, and the Company's success in this regard is also expected to significantly affect the Company's future results of operations and financial condition.

## *Competition*

The Company faces competition from other trust companies in China. In the course of internal development in the trust industry with the momentum characterised by differentiation, most of the trust companies are working on expansion and innovation in a proactive and effective manner. The Company competes with these trust companies in terms of client base, knowledge of the relevant industries, active management capability, innovation capability, reputation, creditworthiness, shareholders' background and support. The Company will leverage on its own advantages, shareholders' background, strategic partnership as well as research and development and innovative capabilities, fostering business expansion and financial innovation to reinforce the Company's competitive position while maintaining its profitability.

The Company also faces competition from other financial institutions. For the Company's financing trusts, the Company competes with other potential financing sources, such as commercial banks and commercial bank wealth management subsidiaries, for the Company's counterparty clients and the intensity of competition from other financing sources will affect the number and quality of the Company's counterparty clients as well as the level of interest the Company can charge on financings to the Company's counterparty clients and thereby affect the Company's operating income and profitability. For the Company's investment trusts, the Company competes with other financial institutions that provide assets and wealth management services. Given the changes of regulation policies on various financial sectors, financial institutions such as commercial banks, commercial bank wealth management subsidiaries, securities firms, fund management companies, private equity funds and insurance companies have diversified their assets and wealth management services. As such, the Company's ability to grow its investment trust business depends on the Company's ability to effectively compete with these financial institutions through offering a variety of trust products that are tailored to the different needs of the Company's trustor clients.

### *Interest Rate Environment*

The Company's business is also affected by changes in interest rates, which fluctuate continually and may be unpredictable and highly volatile. Interest rates in China are regulated by the People's Bank of China. The Company's business and results of operations are affected by changes in interest rates in different ways, such as:

- Changes in lending rates may affect the comparative financing costs for the Company's counterparty clients from different financing sources and thereby affect their willingness to carry out financings through the Company's trust products;
- Changes in deposit interest rates may affect the comparative investment returns to the Company's trustor clients from different investment options and thereby affecting their willingness to invest in the Company's trust products;
- Changes in lending rates may affect the amount of interest income generated from loans provided to the Company's counterparty clients by the Company's trust schemes or itself using the Company's proprietary assets and thereby affecting the amount of the trustee's remuneration of the Company as well as the Company's interest income from consolidated trust schemes and its proprietary loans; and
- Changes in interest rates may also affect the value of various types of financial assets held by the Company's trust schemes or itself as proprietary assets. For example, an increase in interest rates may cause a decline in the market value of fixed-income securities and thereby reduce the net assets value of the trust schemes holding such securities or the Company's proprietary business.

### ***3.4.3 Credit Risk Management***

Credit risk refers to the risk that the clients and counterparties of the Company fail to fulfill contractual obligations. The credit risk of the Company arises from the Company's trust business and proprietary business.

During the Reporting Period, in strict compliance with credit risk management guidelines and other regulatory requirements issued by the CBIRC, under the leadership of the strategies and risk management committee of the Board of Directors and the senior management, the Company focused on facilitating the realisation of strategic goals by improving credit risk management system and system establishment and reinforcing risk management over key areas so as to control and mitigate credit risks.

#### *Credit Risk Management on Trust Business*

The credit risk of the Company's trust business mainly refers to the risk that the Company, as the trustee, fails to receive the Company's due remuneration which is agreed in the trust contracts. The majority of the Company's trusts are financing trusts, under which the failure of fulfilling the repayment obligations by the counterparty clients of the Company, or the ultimate financiers, will negatively affect the Company's ability to receive its remuneration. The Company assesses and manages such default risk through comprehensive due diligence, stringent internal approval and trust establishment procedures as well as ex-post inspections and monitoring. During the Reporting Period, the self-developed intelligent risk control system of the Company has been launched officially. The intelligent risk control system takes the index system, rules and models as the engine, establishes an efficient, unified and reliable risk control data platform, realizes the online calculation and independent rating of some trust businesses, and effectively improves the Company's investment decision-making ability and risk management level. Meanwhile, the Company obtains third party guarantee and collateral as credit enhancements in order to mitigate the default risk by financiers and the Company may ask for additional collaterals in case the value of the original collaterals become insufficient. Under circumstances where the Company assesses the likelihood of such default becomes relatively high, the Company may take necessary resolution and disposition measures in a timely manner to minimise the potential loss.

#### *Credit Risk Management on Proprietary Business*

The proprietary business of the Company mainly includes the Company's own debt and equity investments. The management of the Company had formulated an annual asset allocation plan which consists of concentration limit for each type of investment and such annual plan shall be approved by the Board of Directors. The Company maintains a diversified investment portfolio for the Company's proprietary business and has established detailed internal risk management policies and procedures for each type of investment.

#### ***3.4.4 Market Risk Management***

Market risk primarily refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in market prices. It mainly represents the volatility risk arising from price risk, interest rates risk and foreign exchange risk. During the Reporting Period, the Company managed such risk mainly through the Company's diversified and carefully selected investment portfolio and stringent investment decision-making mechanism.

#### ***3.4.5 Liquidity Risk Management***

Liquidity risk refers to the risk that the Company may not be able to generate sufficient cash to settle the Company's debts in full when they fall due or may only do so on terms that are materially disadvantageous to the Company.

During the Reporting Period, the Company conducted periodical forecasts of the Company's cash flows and monitored the short-term and long-term capital needs of the Company to ensure sufficient cash reserves and financial assets that could be readily convertible into cash. As at 30 June 2021, the Group's current liabilities exceeded its current assets by RMB3,740 million. Having considered the cash flows from operations and sources of finance, the Directors consider that the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within twelve months from 30 June 2021. For conditions of the liquidity and financial resources of the Group, please refer to the section headed "3. Management Discussion and Analysis – 3.6 Liquidity and Financial Resources" of this interim results announcement.

### ***3.4.6 Compliance Risk Management***

Compliance risk refers to the risk of being subject to legal sanctions, regulatory measures, disciplinary penalties or loss of property or reputation because the Company's business activities or those activities of the Company's employees violated the relevant laws, regulations or rules. The Company had formulated various compliance rules and policies and the Legal & Compliance Department shall be responsible for monitoring the overall compliance status of each aspects of the daily operation of the Company.

During the Reporting Period, the Legal & Compliance Department of the Company also continuously tracked the latest development of the relevant laws, regulations and policies and submitted proposals on the formulation of and amendments to the relevant internal regulations and policies to the relevant departments. Moreover, the Company organised various training programs for the employees from different departments based on the nature of their respective business activities and periodically provided updates relating to the current legal and regulatory requirements and the Company's internal policies on an ongoing basis.

### ***3.4.7 Operational Risk Management***

Operational risk refers to the risk of financial loss resulting from the improper operation of transactional processes or the management system. During the Reporting Period, to minimise the operational risk, the Company implemented strict operational risk control mechanisms to reduce the risks of technical irregularities or human errors and enhanced the effectiveness of the operational risk management. In addition, the Audit Department of the Company shall be responsible for conducting internal auditing and evaluating the effectiveness of the operational risk management.

#### ***3.4.8 Reputational Risk Management***

The Company values its positive market image which has been built over the years. It actively implements effective measures to avoid and prevent from any harm to its reputation. The Company formulated the Administrative Measures on Reputational Risk Management. During the Reporting Period, the Company enhanced customer loyalty with its outstanding wealth management capability and at the same time, promoted its external publicity, actively performed social responsibilities and created multiple channels to communicate with the regulatory authorities, media, public and other stakeholders to strengthen the Company's core corporate values of "Professionalism, Integrity, Diligence and Accomplishment".

#### ***3.4.9 Other Risk Management***

The Company enhanced its foresight and adaptability and controlled the policy risks by analysing and researching on the national macro-economic policies and industrial policies. A sound corporate governance structure, an internal control system and business operational procedures had been established to ensure complete and scientific work logistics. The Company consistently strengthened the ideological education for its employees, fostered their awarenesses of diligence and dedication, and advanced their risk management concepts to prevent moral risks. At the same time, the Company strengthen the education of legal awareness and carried out extensive educational activities for all of its employees to strengthen their sense of occupational integrity. The Company also designated specific legal positions and engaged legal advisers on annual basis to control the legal risks effectively.

#### ***3.4.10 Anti-money Laundering Management***

During the Reporting Period, the Company performed anti-money laundering obligations of the Company in accordance with the applicable anti-money laundering laws and regulations of the PRC and adopted its own Administrative Measures on Anti-Money Laundering 《(反洗錢管理辦法)》. Such measures set out the anti-money laundering system of the Company and regulate the anti-money laundering management of the Company, ensuring that the Company can perform the anti-money laundering obligations in accordance with the applicable anti-money laundering laws and regulations.

The Company established an Anti-Money Laundering Leading Work Group for anti-money management, appointed the General Manager of the Company as the chairperson of the group, and the Chief Risk Management Officer who was responsible for legal and compliance matters as the vice chairperson of the group, and the head of other relevant departments as members of the group. The Company also established an anti-money laundering office under the Anti-Money Laundering Working Group, consisting of the department heads of the Financial Management Department, Risk Control Department, Trust Finance Department, Compliance & Legal Department, Wealth Management Business Department and Office, Audit & Assurance Department and Human Resources Department, in order to organise and conduct anti-money laundering management work.

Pursuant to the Company's Administrative Measures on Anti-Money Laundering, the Company has established a client identification system, which requires employees of the Company to effectively verify and continuously update the identification data of the Company's clients. For example, employees of the Company are required to conduct due diligence on the comprehensive background of potential clients, including verifying the validity of the identification data provided, such as the respective corporate certification for enterprises and individuals, or individual identity cards, as well as understanding sources of funds, liquidity and potential transaction purposes of such potential clients. Also, employees of the Company are required to continuously update such clients' identification data during its daily operation, in particular where there is any material change. Employees shall conduct further investigations if any irregularity is identified in connection with the clients' operational or financial status, or their usual transaction patterns, or there was any discrepancy between any new data available to the Company and the data previously provided to the Company, or any suspicious activities involving money laundering or terrorist financing. The Company may terminate the business relationship with a client if it fails to provide it with the most updated and valid identification documents within a certain period upon the Company's request. The identification data of the Company's clients is recorded and archived in accordance with the relevant PRC laws. Such identification data and any information or materials relating to the Company's transactions and accounts with the Company would be kept for at least five years after the relevant party ceases to be a client of the Company.

Furthermore, the Company's Administrative Measures on Anti-Money Laundering also specify certain criteria of demining a suspicious transaction and establish a suspicious transaction reporting system. Based on such criteria, business departments of the Company are required to immediately report to the Anti-Money Laundering Work office of the Company if they identify any suspicious transaction during their daily operation. The Anti-Money Laundering Work office is required to conduct investigation and analysis on the reported transaction. Once confirmed, it is required to report such transaction to the Anti-Money Laundering Leading Work Group of the Company, which shall also report to the PRC Anti-Money Laundering Monitoring and Analysis Center led by the People's Bank of China within 10 days of the transaction in accordance with the relevant laws and regulations.

### **3.5 Capital Management**

The Company's capital management is centred on net capital and risk-based capital, with an objective to meet external regulatory requirements, balance the risk and return and maintain an appropriate level of liquidity.

The Company prudently determines the objectives of net capital and risk-based capital management that are in accordance with regulatory requirements and are in line with its own risk exposure. Generally, the capital management measures include adjustment of dividend distribution and raising new capital.

The Company monitors its net capital and risk-based capital regularly based on regulations issued by the CBIRC. Effective from 20 August 2010, the Company started to implement the CBIRC's regulation of *Measures for the Administration of Net Capital of Trust Companies* 《(信託公司淨資本管理辦法)》 which was issued on the same day. Pursuant to this regulation, a trust company shall maintain its net capital at a level of no less than RMB200 million, the ratio of net capital to total risk-based capital at no less than 100%, and the ratio of net capital to net asset at no less than 40%. The Company reports the required capital information to the CBIRC on a quarterly basis.

Total risk-based capital is defined as the aggregate of (i) risk-based capital of the Company's proprietary business; (ii) risk-based capital of the Company's trust business; and (iii) risk-based capital of the Company's other business, if any. The risk-based capital is calculated by applying a risk factor which ranges from 0% to 50% for the Company's proprietary business, and 0.1% to 9.0% for the Company's trust business.

As at 30 June 2021, the Company's net capital was approximately RMB8.535 billion, which is not less than RMB200 million; the total risk-based capital was approximately RMB3.764 billion; the ratio of net capital to total risk-based capital was 226.76%, which is not lower than 100%; and the ratio of net capital to net asset was 81.30%, which is not lower than 40%.

### **3.6 Liquidity and Financial Resources**

As at 30 June 2021, the Group's current liabilities exceeded its current assets by RMB3,740 million, with current assets of RMB7,175 million and current liabilities of RMB10,915 million. As at 30 June 2021, the Group had cash and bank balances totaling RMB1,376 million. As at 30 June 2021, the Group's current liabilities included RMB8,249 million in respect of net assets attributable to other beneficiaries of consolidated structured entities.

In view of the net current liabilities position, the Directors have given consideration to the future liquidity and performance of the Group in assessing whether the Group will have sufficient financial resources to continue as a going concern. Having considered the cash flows from operations and sources of finance, the Directors consider that the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within twelve months from 30 June 2021. Accordingly, the unaudited interim condensed consolidated financial information has been prepared on a going concern basis. For relevant details, please refer to the section headed "12. Notes to the Interim Condensed Consolidated Financial Information – 2 Basis of preparation" of this interim results announcement.

### 3.7 Future Prospect

For some time to come, the global pandemic trend will remain the biggest uncertain factor, and the prospect of global economic recovery will remain highly uncertain, with increasing divergence and imbalance. Global inflation is likely to continue to rise, and the possible changes in monetary policies of major developed economies and their spillover effects deserve special attention. The “14th Five-Year Plan” period marks the first five years of a new journey of building a modern socialist country in an all-round way. China’s development is still in the period of important strategic opportunities and the driving force for development is constantly strengthening. The long-term positive fundamentals of the economy remain unchanged. With the continuous expansion of middle-income groups in China and the rapid accumulation of residents’ wealth, the wealth management needs of HNWI are increasingly growing, and the development space of trust companies is very broad. The trust industry will actively comply with national macroeconomic policy orientation, industry regulatory requirements and the new trend of development of the mega asset management industry, give full play to the advantages of the trust system, accelerate the transformation and development, continue to increase support for the real economy, adhere to the concept of green development, improve incentive mechanism, vigorously promote trust culture, actively establish an investment research system with industry characteristics, and achieve new results in high-quality development.

Under the guidance of the “14th Five-Year Plan”, SITC will take the initiative to comply with regulatory orientation, adhere to the two-wheel drive of “standard product investment + non-standard financing”, continue to improve and strengthen traditional businesses and fully embrace the capital market. It will make every effort to build the wealth management system of “allocation orientation”, better serve the wealth management of residents, actively implement the concept of green development and put serving the real economy in a more prominent position, so as to become a respected professional institution of wealth management based on asset allocation.

#### **4. PROFITS AND DIVIDENDS**

The Company's profit for the six months ended 30 June 2021 is set out in "3. Management Discussion and Analysis – 3.3 Financial Overview" in this interim results announcement.

The Company will not declare an interim dividend for the year of 2021.

#### **5. DIRECTORS (THE "DIRECTORS"), SUPERVISORS (THE "SUPERVISORS") AND SENIOR MANAGEMENT OF THE COMPANY**

As at the date of this interim results announcement, the compositions of the Board of Directors, the Board of Supervisors and senior management are as follows:

Members of the Board of Directors include Mr. Wan Zhong (chairperson) and Mr. Fang Hao as executive Directors; Mr. Xiao Hua (vice chairperson), Mr. Jin Tongshui and Ms. Wang Bailing as non-executive Directors; Mr. Yen Huai-chiang, Mr. Ding Huiping and Ms. Meng Rujing as independent non-executive Directors.

Members of the Board of Supervisors include Mr. Guo Shougui (chairperson), Mr. Hou Zhenkai, Mr. Chen Yong, Mr. Wu Chen and Ms. Wang Zhimei as shareholder representative Supervisors; Mr. Tian Zhiguo, Mr. Zuo Hui and Mr. Zhang Wenbin as employee representative Supervisors.

Members of senior management include Mr. Fang Hao as general manager, Ms. Zhou Jianqu as vice general manager; Mr. He Chuangye as vice general manager, secretary to the Board of Directors and the joint company secretary; Mr. Wang Ping as chief financial officer; and Mr. Niu Xucheng as vice general manager.

Mr. Yue Zengguang resigned as an executive Director due to work adjustment. The Board of Directors approved the resignation of Mr. Yue on 3 February 2021, and his resignation shall take effect upon the approval of the qualification of the new executive Director by the Shandong Office of the China Banking and Insurance Regulatory Commission (the “**Shandong Office of CBIRC**”). Prior to this, Mr. Yue continued to perform his duties as an executive Director. Upon the recommendation of the Board of Directors, Mr. Fang Hao was elected as executive Director in the first extraordinary general meeting of the Company for the year 2021 held on 30 March 2021. The qualification of Mr. Fang Hao as executive Director was approved by the Shandong Office of CBIRC on 19 May 2021.

Mr. Wan Zhong, Mr. Fang Hao, Mr. Wang Zengye, Mr. Zhao Zikun, Ms. Wang Bailing, Mr. Ding Huiping, Ms. Li Jie and Ms. Meng Rujing were re-elected or appointed as Directors of the third session of the Board of Directors at the annual general meeting for the year 2020 (the “**AGM**”) convened on 29 June 2021. Mr. Xiao Hua and Mr. Jin Tongshui were not re-elected as non-executive Directors for the third session of the Board of Directors due to the expiry of their terms. Mr. Yen Huai-chiang was not re-elected as independent non-executive Director for the third session of the Board of Directors due to the expiry of his term. The qualifications of Mr. Wang Zengye, Mr. Zhao Zikun and Ms. Li Jie are subject to the approval by the Shandong Office of CBIRC. Before the newly elected Directors officially take office upon fulfilling relevant procedures in accordance with the law and regulations, Mr. Xiao Hua, Mr. Jin Tongshui and Mr. Yen Huai-chiang will continue to perform their duties as Directors until the qualification of the newly elected Directors for the third session of the Board of Directors are approved by the Shandong Office of CBIRC to ensure that the structure of the Board of Directors is always in compliance with relevant laws and regulations and the articles of association of the Company (the “**Articles of Association**”).

Ms. Wang Yan was appointed as an external Supervisor of the third session of Board of Supervisors at the AGM. Ms. Wang’s appointment as an external Supervisor shall be effective subject to the approval of the articles of appointing external Supervisors in the proposed amendments to the Articles of Association by the Shandong Office of CBIRC, and at that time, Ms. Wang shall comply with the qualification requirements as an external Supervisor in the Articles of Association and relevant laws and regulations.

Upon the consideration and approval by the Board of Directors on 3 February 2021, Mr. Yue Zengguang ceased to serve as general manager of the Company due to work adjustments. The Board of Directors engaged Mr. Fang Hao as general manager of the Company on the same day. Prior to the approval of the qualification of Mr. Fang Hao by the Shandong Office of CBIRC, Mr. Yue continued to perform his duties as general manager. The qualification of Mr. Fang Hao was approved by the Shandong Office of CBIRC on 31 March 2021.

Upon the consideration and approval by the Board of Directors on 11 August 2021, Mr. Fu Jiguang ceased to serve as the chief risk management officer of the Company due to work adjustments. The Board of Directors engaged Mr. Tian Zhiguo as the chief risk management officer of the Company on the same day. The qualification of Mr. Tian Zhiguo is subject to the approval of the Shandong Office of CBIRC. Prior to this, Mr. Fang Hao, the general manager of the Company, is temporarily in charge of the relevant work of the chief risk management officer.

The Board of Directors fully recognised the significant contributions made by Mr. Yue Zengguang and Mr. Fu Jiguang during their tenure of office in the Company, and wishes to express its gratitude to them.

Save as disclosed above, there is no other information required to be disclosed under the Rule 13.51B(1) of the Listing Rules.

## **6. CORPORATE GOVERNANCE CODE**

The Company is committed to maintaining high standard of corporate governance to safeguard the interests of the Company's shareholders and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code and Corporate Governance Report (the "**Corporate Governance Code**") contained in Appendix 14 to the Listing Rules as its own corporate governance code. The Company has been in compliance with all code provisions as set out in the Corporate Governance Code during the Reporting Period. The Company will continue to review and monitor its corporate governance practice in order to ensure the compliance with the Corporate Governance Code.

## **7. MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") specified in Appendix 10 to the Listing Rules, as the code of conduct for securities transactions implemented by its Directors and Supervisors. After specific inquiries to all Directors and Supervisors, all Directors and Supervisors confirmed that during the Reporting Period, they all have complied with the standard regulations set out in the Model Code.

During the Reporting Period, the Company also adopted a set of code of conduct for securities transactions implemented by its employees not inferior to the standards set out in the Model Code, to allow employees who may have access to any undisclosed inside information of the Company to purchase and sell securities of the Company as required.

## **8. PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES**

During the Reporting Period, the Company did not purchase, sell or redeem any of the Company's listed securities.

## **9. SIGNIFICANT EVENTS**

### **9.1 Change of Registered Capital and Capital Structure and Change of Shareholding of Shareholders**

During the Reporting Period, there is no change in the Company's registered capital, capital structure or shareholding of shareholders.

### **9.2 Proposed Amendments to the Articles of Association, the Procedural Rules for the Board of Directors, the Procedural Rules for the Board of Supervisors and the Procedural Rules for the General Meeting**

In order to further improve the corporate governance structure, strengthen the decision-making capability of the Board of Directors, and optimise the functions of the committees under the Board of Directors, the Company carried out optimisation and adjustment to certain committees under the Board of Directors, specifically including: (1) the consolidation of "Human Resource and Nomination Committee" and "Remuneration Committee" into "Nomination and Remuneration Committee"; and (2) the addition of compliance management duties to the "Strategic and Risk Management Committee" (戰略與風控委員會), which will be renamed as "Strategic and Risk Management Committee" (戰略與風險管理委員會) (the English name remains unchanged). According to the *Provisional Measures of Equity Management of Trust Companies* (《信託公司股權管理暫行辦法》), and the actual situation of the Company, the Company proposed to create new position of external Supervisors. The Company also proposed to revise the corresponding expressions in the Articles of Association in accordance with the amendment of titles of the senior management of the Company. Pursuant to the relevant requirements of the aforesaid regulatory authorities and the actual situation of the Company, the Board of Directors proposed to amend the Articles of Association in relation to (1) the establishment of the committees under the Board of Directors; (2) the establishment of the position of external Supervisors; and (3) the relevant provisions regarding the titles of senior management personnel of the Company (the "**Proposed Amendments to the Articles of Association**"). Based on the Proposed

Amendments to the Articles of Association, the Board of Directors and the Board of Supervisors proposed to amend the relevant provisions in the Procedural Rules for the Board of Directors, the Procedural Rules for the General Meeting and the Procedural Rules for the Board of Supervisors, respectively.

The proposed amendments to the Articles of Association, the Procedural Rules for the Board of Directors, the Procedural Rules for the Board of Supervisors and the Procedural Rules for the General Meeting were approved at the AGM by means of special resolutions. The Proposed Amendments to the Articles of Association will be effective upon approval by the Shandong Office of CBIRC. The Proposed Amendments to the Procedural Rules for the Board of Directors, the Procedural Rules for the Board of Supervisors and the Procedural Rules for the General Meeting will be effective upon approval of the Proposed Amendments to the Articles of Association by the Shandong Office of CBIRC.

Save as disclosed above, during the Reporting Period and up to the date of this interim results announcement, there had been no material changes to the Articles of Association. The Articles of Association is available on the websites of the Company and The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”).

### **9.3 Material Legal Proceedings and Arbitration**

As at 30 June 2021, the Company, being the plaintiff and applicant, were involved in six pending litigations or arbitration cases, of which the amount in dispute was more than RMB10 million; the value of the litigation or arbitration cases in which we were involved totalled approximately RMB1,101.70 million in total. These cases were mainly brought by the Company against the relevant counterparty clients due to their failure to repay the loans granted by the trusts of the Company.

### **9.4 Material Asset Acquisition, Sale and Merger**

During the Reporting Period, the Company had no material assets acquisition, sale and merger.

### **9.5 Auditor**

SHINEWING (HK) CPA Limited was appointed as the auditor to review the financial information for the six months ended 30 June 2021 prepared in accordance with the IFRS. The interim financial information disclosed in this interim results announcement has not been audited. The enclosed interim condensed consolidated financial information prepared in accordance with the IFRS has been reviewed by SHINEWING (HK) CPA Limited.

## 10. SUBSEQUENT EVENTS

Save as disclosed above, the Company had no material matters subsequent to the Reporting Period.

## 11. EXTRACT OF INTERIM FINANCIAL STATEMENTS

*(All amounts expressed in thousands of RMB unless otherwise stated)*

The accompanying notes form a part of these interim condensed consolidated financial information.

### 11.1 Interim Condensed Consolidated Statement of Comprehensive Income

		Six months ended 30 June	
	Notes	2021	2020
		(Unaudited)	(Unaudited)
Fee and commission income	5	488,446	571,351
Interest income	6	442,397	386,632
Net changes in fair value on financial assets at fair value through profit or loss and investments in associates measured at fair value	7	(135,419)	54,434
Investment income	8	170,696	42,520
Net gains on disposal of investments in associates		41,196	54,882
Other operating income		2,985	27,247
<b>Total operating income</b>		<b>1,010,301</b>	<b>1,137,066</b>
Interest expenses	9	(300,498)	(171,259)
Staff costs (including directors and supervisors' emoluments)	10	(74,673)	(78,986)
Operating lease payments		(4,363)	(4,198)
Depreciation and amortisation		(8,247)	(6,707)
Change in net assets attributable to other beneficiaries of consolidated structured entities		(26,683)	(25,089)
Tax and surcharges		(8,050)	(8,017)

		<b>Six months ended 30 June</b>	
	<i>Notes</i>	<b>2021</b>	<b>2020</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
Impairment losses on financial assets, net of reversal	11	<b>(335,745)</b>	(312,580)
Impairment losses on other assets	12	–	(747)
Other operating expenses		<b>(26,345)</b>	(19,572)
<b>Total operating expenses</b>		<b>(784,604)</b>	(627,155)
Share of profit of investments accounted for using the equity method		<b>239,626</b>	140,148
<b>Profit before income tax</b>		<b>465,323</b>	650,059
Income tax expense	13	<b>(64,381)</b>	(135,791)
<b>Net profit attributable to shareholders of the Company</b>		<b>400,942</b>	514,268
<b>Other comprehensive income</b>			
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Share of other comprehensive income from investments accounted for using the equity method		<b>8,387</b>	985
<b>Total other comprehensive income, net of tax</b>		<b>8,387</b>	985
<b>Total comprehensive income attributable to shareholders of the Company</b>		<b>409,329</b>	515,253
<b>Basic and diluted earnings per share attributable to shareholders of the Company (<i>in RMB yuan</i>)</b>	14	<b>0.09</b>	0.11
<b>Total comprehensive income for the period attributable to shareholders of the Company arises from:</b>			
Continuing operations		<b>409,329</b>	515,253

## 11.2 Interim Condensed Consolidated Statement of Financial Position

		30 June 2021 (Unaudited)	31 December 2020 (Audited)
	Notes		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		119,474	122,135
Investment properties		143,296	145,139
Right-of-use assets		266	680
Intangible assets		12,411	13,672
Investments in associates	15	3,202,570	3,242,780
Financial assets at fair value through profit or loss	18	442,458	679,519
Loans to customers	16	10,423,950	9,641,926
Financial investments – amortised cost		–	50,288
Advance payments		8,955	20,097
Deferred income tax assets		439,662	315,759
Other non-current assets		108,564	188,932
<b>Total non-current assets</b>		<b>14,901,606</b>	<b>14,420,927</b>
<b>Current assets</b>			
Cash and bank balances	17	1,376,407	969,535
Financial assets at fair value through profit or loss	18	1,460,780	1,556,937
Financial assets purchased under resale agreements		595,000	107,147
Loans to customers	16	3,299,133	3,105,648
Trustee's remuneration receivable		162,115	165,875
Other current assets		281,300	357,752
<b>Total current assets</b>		<b>7,174,735</b>	<b>6,262,894</b>
<b>Total assets</b>		<b>22,076,341</b>	<b>20,683,821</b>

		<b>30 June 2021 (Unaudited)</b>	<b>31 December 2020 (Audited)</b>
	<i>Notes</i>		
<b>Equity and liabilities</b>			
Share capital	19	<b>4,658,850</b>	4,658,850
Capital reserve	19	<b>143,285</b>	143,285
Statutory surplus reserve		<b>903,941</b>	903,941
Statutory general reserve		<b>892,695</b>	892,695
Other reserves		<b>652</b>	(7,735)
Retained earnings		<b>3,985,030</b>	3,584,088
<b>Total equity</b>		<b>10,584,453</b>	10,175,124
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Salary and welfare payable		<b>21,557</b>	24,157
Lease liabilities		<b>123</b>	122
Net assets attributable to other beneficiaries of consolidated structured entities		<b>555,471</b>	1,417,461
<b>Total non-current liabilities</b>		<b>577,151</b>	1,441,740
<b>Current liabilities</b>			
Short-term borrowings	21	<b>1,600,000</b>	100,000
Lease liabilities		<b>261</b>	573
Salary and welfare payable		<b>115,399</b>	85,876
Net assets attributable to other beneficiaries of consolidated structured entities		<b>8,248,736</b>	8,042,296
Income tax payable		<b>113,849</b>	31
Other current liabilities		<b>836,492</b>	838,181
<b>Total current liabilities</b>		<b>10,914,737</b>	9,066,957
<b>Total liabilities</b>		<b>11,491,888</b>	10,508,697
<b>Total equity and liabilities</b>		<b>22,076,341</b>	20,683,821

## 12. NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 1 General

Shandong International Trust Co., Ltd. (“**Shandong Trust**” or “**the Company**”) is a non-bank financial institution incorporated in Shandong Province, the People’s Republic of China (the “**PRC**”) on 10 March 1987 with the approval from People’s Bank of China (“**PBOC**”) and Shandong Provincial Government. The Company was transformed from a wholly state-owned company to a limited liability company in August 2002 and further transformed to a joint stock limited company in July 2015. The Company completed its public offering on 8 December 2017 and its shares were listed on The Stock Exchange of Hong Kong Limited on the same day. As at 30 June, 2021, the amount of share capital was RMB 4,658,850,000 with a par value of RMB 1 per share.

The Company is controlled by Shandong Lucion Investment Holdings Group Co., Ltd (“**Lucion Group**”), which aggregately owns 52.96% of the shares of the Company at 30 June 2021. Lucion Group is further controlled by Shandong Provincial Department of Finance.

The Company operates under the financial service certificate No. 00606003 issued by the China Banking and Insurance Regulatory Commission (“**CBIRC**”) (formerly known as China Banking Regulatory Commission (“**CBRC**”)) in August 2015. The principal activities of the Company as approved by the CBIRC include trust business and proprietary business. Trust business is the Company’s core business. As the trustee, the Company accepts entrustment of funds and property from its trustor clients and manages such entrusted funds and property to satisfy its trustor clients’ investment and wealth management needs. The proprietary business focuses on allocating its proprietary assets into different asset classes and investing in businesses with strategic value to its trust business in order to maintain and increase the value of its proprietary assets.

The Company and its consolidated structured entities are collectively referred to as “the Group”.

### 2 Basis of preparation

The interim condensed consolidated financial information of the Group for the six months ended 30 June 2021 have been prepared in accordance with International Accounting Standards (“**IAS**”) 34, “Interim financial reporting” issued by the International Accounting Standards Board and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

## Going concern assessment

The Group adopted the going concern basis in preparing its interim condensed consolidated financial information.

As at 30 June 2021, the Group's current liabilities exceeded its current assets by RMB3,740 million, with current assets of RMB7,175 million and current liabilities of RMB10,915 million. As at 30 June 2021, the Group had cash and bank balances totalling RMB1,376 million. As at 30 June 2021, the Group's current liabilities included RMB8,249 million in respect of net assets attributable to other beneficiaries of consolidated structured entities.

The above conditions cast significant doubt regarding the Group's ability to continue as a going concern. In view of this, management has given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern, and has taken the following measures to mitigate the liquidity pressure and to improve the Group's cash flows:

- a. The Group holds active discussions with the real estate development group and is closely monitoring the development progress of the underlying real estate projects to ensure that proceeds from the sale of properties are used for the repayment of the real estate loans by establishing arrangements such as jointly controlled bank accounts.
- b. The Group will continue to explore with other third-party financial institutions, where necessary, the refinancing of trust schemes established and managed by the Group.
- c. Under the "Interim Measures for the Administration of Stock Rights of Trust Companies" formulated by the CBIRC effective from 1 March 2020 and as set out in the Memorandum of Associations of the Company, Lucion Group as the parent company of the Company has an obligation to offer necessary financial support upon the request of the Company in the event of potential liquidity difficulties.

The Group has requested, and Lucion Group has committed, to provide financial support to ensure the Group will have sufficient financial resources to meet its obligations when they fall due within the next twenty-four months from 30 June 2021 through measures including but not limited to the following:

- Acquiring investor stakes in, or the underlying assets of, trust schemes established and managed by the Group;
- Supporting investees of such trust schemes to restructure their financing arrangements; and
- Injection of share capital into or direct financing to the Company.

The Directors of the Company have reviewed the Group's cash flow projections prepared by management, which cover a period of not less than twelve months from 30 June 2021. They are of the opinion that, taking into account the abovementioned measures, in particular, the financial support from Lucion Group, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within twelve months from 30 June 2021. Accordingly, the Directors of the Company are satisfied that it is appropriate to prepare the interim condensed consolidated financial information on a going concern basis.

### **3 Principal Accounting Policies**

The interim condensed consolidated financial information have been prepared on the historical cost basis, except for certain financial instruments and investment in associates, which are measured at fair values.

The accounting policies used in the interim condensed consolidated financial information are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020, except as described below.

In the current interim period, the Group has applied, for the first time, following amendments to IFRSs issued by the IASB which are effective for the Group's financial year beginning 1 January, 2021.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2
Amendments to IFRS 16	COVID-19-Related Rent Concessions

The application of the amendments to in IFRSs in the current interim period has had no material effect on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these interim condensed consolidated financial information.

#### **4 Critical accounting estimates and judgements**

The Group continually evaluates the significant accounting estimates and judgements applied based on historical experience and other factors, including reasonable expectations of future events. The critical accounting estimates and key assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are consistent with these policies applied in preparing the consolidated financial statements for the year ended at 31 December 2020.

#### **5 FEE AND COMMISSION INCOME**

	<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
Trustee's remuneration	<b>488,446</b>	571,083
Others	<u>–</u>	<u>268</u>
Total	<b><u>488,446</u></b>	<b><u>571,351</u></b>

## 6 INTEREST INCOME

	Six months ended 30 June	
	2021	2020
<b>Interest income from:</b>		
Cash and bank balance	3,201	1,251
Loans to customers	427,610	377,572
Financial investments – amortised cost	112	2,679
Financial assets purchased under resale agreements	10,411	2,425
Contribution to Trust Industry Protection Fund (i)	1,063	2,705
	<u>442,397</u>	<u>386,632</u>
Total	<u>442,397</u>	<u>386,632</u>

- (i) The amount represents interest income arising from contributions to the Trust Industry Protection Fund in connection with financing trust schemes.

## 7 NET CHANGES IN FAIR VALUE ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS AND INVESTMENTS IN ASSOCIATES MEASURED AT FAIR VALUE

	Six months ended 30 June	
	2021	2020
<b>Net changes in fair value arising from:</b>		
Financial assets at fair value through profit or loss		
– Listed shares	(23,072)	14,995
– Mutual funds	(135,615)	99,013
– Trust schemes	5,556	(21,682)
– Unlisted companies	(18,345)	12,816
– Bond and other asset management products	45,100	(1,966)
	<u>(126,376)</u>	<u>103,176</u>
Investments in associates	<u>(9,043)</u>	<u>(48,742)</u>
Total	<u>(135,419)</u>	<u>54,434</u>

## 8 INVESTMENT INCOME

	Six months ended 30 June	
	2021	2020
<b>Dividends income from:</b>		
Financial assets at fair value through profit or loss	5,171	6,493
<b>Net realised gains from disposal of:</b>		
Financial assets at fair value through profit or loss	<u>165,525</u>	<u>36,027</u>
Total	<u><b>170,696</b></u>	<u><b>42,520</b></u>

## 9 INTEREST EXPENSES

	Six months ended 30 June	
	2021	2020
Interest accrued on borrowings from China Trust Protection Fund Co., Ltd.	32,164	9,348
Interest for placement from banks	–	80
Third-party beneficiaries' interests (i)	268,249	161,831
Others	<u>85</u>	<u>–</u>
Total	<u><b>300,498</b></u>	<u><b>171,259</b></u>

- (i) It represents expected returns attributable to third-party beneficiaries of the consolidated financing trust schemes. Third-party beneficiaries' interests in the consolidated trust schemes are accounted for as net assets attributable to other beneficiaries of consolidated structured entities in the interim condensed consolidated statement of financial position.

**10 STAFF COSTS (INCLUDING DIRECTORS AND SUPERVISORS' EMOLUMENTS)**

	<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
Salaries and bonuses	<b>62,858</b>	70,948
Pension costs (defined contribution plans)	<b>3,499</b>	523
Housing funds	<b>3,307</b>	2,875
Labour union fee and staff education expenses	<b>1,527</b>	1,677
Other social security and benefit costs	<b>3,482</b>	2,963
	<u>          </u>	<u>          </u>
Total	<b><u>74,673</u></b>	<b><u>78,986</u></b>

**11 IMPAIRMENT LOSSES ON FINANCIAL ASSETS, NET OF REVERSAL**

	<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
Loans to customers	<b>346,434</b>	284,704
Financial investments – amortised cost	<b>(1,312)</b>	33,952
Trustee's remuneration receivable	<b>(1,534)</b>	(1,931)
Others	<b>(7,843)</b>	(4,145)
	<u>          </u>	<u>          </u>
Total	<b><u>335,745</u></b>	<b><u>312,580</u></b>

**12 IMPAIRMENT LOSSES ON OTHER ASSETS**

	<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
Investment in artwork	<b><u>–</u></b>	<b><u>747</u></b>

### 13 INCOME TAX EXPENSE

	Six months ended 30 June	
	2021	2020
Current income tax	188,284	146,241
Deferred income tax	<u>(123,903)</u>	<u>(10,450)</u>
Total	<u><b>64,381</b></u>	<u><b>135,791</b></u>

Current income tax is calculated based on the statutory tax rate of 25% of the taxable income of the Group as determined in accordance with the relevant PRC income tax rules and regulations for the respective years.

The difference between the actual income tax charged in the profit or loss and the amounts which would result from applying the enacted tax rate to profit before income tax can be reconciled as follows:

	Six months ended 30 June	
	2021	2020
Profit before income tax	465,323	650,059
Tax calculated at a tax rate of 25%	116,331	162,515
Tax effect arising from income not subject to tax (i)	(52,338)	(28,234)
Tax effect of expenses that are not deductible for tax purposes	<u>388</u>	<u>1,510</u>
Income tax expense	<u><b>64,381</b></u>	<u><b>135,791</b></u>

- (i) The income not subject to tax mainly represents the share of profit from investments accounted for using equity method.

## 14 BASIC AND DILUTED EARNINGS PER SHARE

### (a) Basic earnings per share

Basic earnings per share are calculated by dividing the net profit attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the periods.

	<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
Net profit attributable to shareholders of the Company	<b>400,942</b>	514,268
Weighted average number of ordinary shares in issue ( <i>in thousand</i> )	<b>4,658,850</b>	4,658,850
Basic earnings per share	<b><u>0.09</u></b>	<b><u>0.11</u></b>

### (b) Diluted earnings per share

For the six months ended 30 June 2021 and 2020, there were no potential diluted ordinary shares and therefore the diluted earnings per share were the same as the basic earnings per share.

## 15 INVESTMENTS IN ASSOCIATES

The amounts recognised in the interim condensed consolidated financial information are as follows:

	<b>30 June 2021</b>	31 December 2020
<b>Associates of the Company, measured at equity accounting</b>		
Fullgoal Fund Management Co., Ltd.	<b>955,856</b>	869,824
Taishan Property & Casualty Insurance Co., Ltd.	<b>210,364</b>	215,101
Sinotruk Auto Finance Co., Ltd. (formerly known as Shandong HOWO Auto Finance Co., Ltd.)	<b>203,864</b>	207,775
Shandong Luxin Xinjiu Kinetic Energy Conversion Venture Capital Parent Fund (limited partnership)	<b>162,680</b>	148,739
Dezhou Bank Co., Ltd.	<b>115,836</b>	110,344
First-Trust Fund Management Co., Ltd.	<b>71,043</b>	52,410
Tailong Health Industry Investment Company Limited	<b>72,030</b>	35,626
Others	<b>2,644</b>	2,884
	<hr/>	<hr/>
<b>Gross amount</b>	<b>1,794,317</b>	1,642,703
Less: Impairment allowance	<hr/> —	<hr/> —
	<hr/>	<hr/>
<b>Subtotal</b>	<b>1,794,317</b>	1,642,703
	<hr/>	<hr/>
<b>Associates indirectly held by the Group through consolidated structured entities, measured at equity accounting</b>		
Shandong Provincial Financial Asset Management Co., Ltd.	<b>667,122</b>	674,489
Others	<b>35,585</b>	71,859
	<hr/>	<hr/>
<b>Gross amount</b>	<b>702,707</b>	746,348
Less: Impairment allowance	<hr/> (10,000)	<hr/> (10,000)
	<hr/>	<hr/>
<b>Subtotal</b>	<b>692,707</b>	736,348
	<hr/>	<hr/>

	30 June 2021	31 December 2020
<b>Associates indirectly held by the Group through consolidated structured entities, measured at fair value</b>		
Tengzhou Haide Park Property Co., Ltd	151,210	151,210
Huizhou Zhengfeng Industrial Investment Co., Ltd.	120,000	120,000
Cangzhou Liangsheng Property Development Co., Ltd.	111,088	111,088
Nanyang Liangheng Real Estate Co., Ltd.	52,920	82,320
Tianjin Liangxin Property Development Co., Ltd.	–	89,047
Huangshi Liangsheng Real Estate Development Co., Ltd.	91,379	94,179
Tianjin Liangshun Property Development Co., Ltd.	–	70,496
Nanyang Zhongliang Chengtong Real Estate Co., Ltd.	49,315	49,315
Ankang Liangsheng Foundation Real Estate Co., Ltd.	37,840	37,840
Yunnan Hongshan City Investment Development Co., Ltd.	30,000	30,000
Weifang Hengru Real Estate Co., Ltd.	15,000	15,000
Shenzhen Qianhai Run Xin Investment Co., Ltd.	13,234	13,234
Dongying Liangsheng Real Estate Co., Ltd.	43,560	–
<b>Subtotal</b>	<b>715,546</b>	<b>863,729</b>
<b>Total</b>	<b>3,202,570</b>	<b>3,242,780</b>

## 16 LOANS TO CUSTOMERS

### (a) Analysis of loans to customers:

	30 June 2021	31 December 2020
Corporate loans – at amortised cost	15,517,538	14,232,249
Including: issued by the Company	3,143,730	993,950
issued by the consolidated structured entities	12,373,808	13,238,299
Interest receivable	109,100	72,446
Less: ECL allowance – Loans	(1,899,888)	(1,555,395)
Less: ECL allowance – Interest receivable	(3,667)	(1,726)
Loans to customers, net	<u>13,723,083</u>	<u>12,747,574</u>
Presented as:		
Non-current assets	10,423,950	9,641,926
Current assets	<u>3,299,133</u>	<u>3,105,648</u>
Loans to customers, net	<u>13,723,083</u>	<u>12,747,574</u>

### (b) Movement of corporate loans

	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2021	5,514,950	60,000	8,657,299	14,232,249
Additions	1,293,950	–	2,152,889	3,446,839
Repayments	(1,137,600)	(30,000)	(993,950)	(2,161,550)
Transfers:	(750,000)	750,000	–	–
<i>Transfer from Stage 1 to Stage 2</i>	(750,000)	750,000	–	–
Balance as at 30 June 2021	<u>4,921,300</u>	<u>780,000</u>	<u>9,816,238</u>	<u>15,517,538</u>

	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2020	7,463,694	–	1,563,486	9,027,180
Additions	2,465,450	60,000	7,000,000	9,525,450
Repayments	(3,060,044)	–	(163,238)	(3,223,282)
Disposals	–	(275,200)	(821,899)	(1,097,099)
Transfers:	(1,354,150)	275,200	1,078,950	–
<i>Transfer from Stage 1 to Stage 2</i>	(275,200)	275,200	–	–
<i>Transfer from Stage 1 to Stage 3</i>	(1,078,950)	–	1,078,950	–
Balance as at 31 December 2020	<u>5,514,950</u>	<u>60,000</u>	<u>8,657,299</u>	<u>14,232,249</u>

**(c) Movements of ECL allowance – Loans**

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Balance as at 1 January 2021	131,120	1,637	1,422,638	1,555,395
Provision for impairment	37,231	15,823	306,649	359,703
Reversal of impairment allowances	(14,392)	(818)	–	(15,210)
Transfers:	(25,124)	25,124	–	–
<i>Transfer from Stage 1 to Stage 2</i>	(25,124)	25,124	–	–
Balance as at 30 June 2021	<u>128,835</u>	<u>41,766</u>	<u>1,729,287</u>	<u>1,899,888</u>

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Balance as at 1 January 2020	192,591	–	1,083,537	1,276,128
Provision for impairment	27,607	21,466	1,161,000	1,210,073
Reversal of impairment allowances	(74,665)	–	(78,366)	(153,031)
Disposals	–	(26,492)	(769,052)	(795,544)
Transfers:	(32,182)	6,663	25,519	–
<i>Transfer from Stage 1 to Stage 2</i>	(6,663)	6,663	–	–
<i>Transfer from Stage 1 to Stage 3</i>	(25,519)	–	25,519	–
Exposure at default (“EAD”), Probability of default (“PD”) and Loss given default (“LGD”) changes	17,769	–	–	17,769
Balance as at 31 December 2020	<u>131,120</u>	<u>1,637</u>	<u>1,422,638</u>	<u>1,555,395</u>

## 17 CASH AND BANK BALANCE

### (a) Cash and bank balance

	30 June 2021	31 December 2020
Cash at banks	1,291,218	317,728
Other monetary assets	<u>85,189</u>	<u>651,807</u>
Total	<u>1,376,407</u>	<u>969,535</u>

### (b) Cash and cash equivalents in the consolidated statement of cash flows

	30 June 2021	31 December 2020
Cash at banks	1,291,218	317,728
Other monetary assets	<u>85,189</u>	<u>651,807</u>
Total	<u>1,376,407</u>	<u>969,535</u>

## 18 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2021	31 December 2020
Equity investments		
Listed shares	19,814	90,395
Unlisted entities	286,123	289,680
Asset management products (i)	131,683	107,077
Mutual funds	689,634	618,447
Bonds	518,305	886,168
Investments in trust schemes	144,424	129,436
Investments in Trust Industry Protection Fund (ii)	113,255	115,253
Total	<u>1,903,238</u>	<u>2,236,456</u>
Presented as:		
Non-current assets	442,458	679,519
Current assets	<u>1,460,780</u>	<u>1,556,937</u>
Financial assets at fair value through profit or loss, net	<u>1,903,238</u>	<u>2,236,456</u>

- (i) The amounts mainly represent the Group's investments in certain asset management products managed by third party financial institutions such as banks and security companies in the PRC.
- (ii) In accordance with the notice "Administrative rule of Trust Industry Protection Fund" jointly issued by the CBIRC and Ministry of Finance of the PRC ("MOF") on 10 December 2014 (YJF[2014]No. 50) and relevant requirements in the notice issued by the CBIRC on 25 February 2015 (YJBF[2015]No. 32) concerning Detailed Procedures of Collection and Administration of Trust Industry Protection Fund, trust companies in China are required to make contributions to the Trust Industry Protection Fund ("the Fund") that was established and managed by China Trust Protection Fund Co., Ltd., a company established jointly by China Trust Association and certain trust companies in China. The amount of contributions to the Fund consists of the following components:
- 1% of the trust company's net assets at the end of proceeding financial year as each trust company's own contribution;

- 1% of total proceeds received from issuance of each trust product. For financing trust schemes, the Fund is subscribed by the borrower through the trust company; For trust products which invest in standardised financial products, the Fund is contributed by the trust company;
- For non-cash asset related trust products, the Fund is contributed by the trust company at 5% of total trustee's remuneration; and
- The Fund can only be utilised when the trust company has entered into restructuring, bankruptcy, liquidation or liquidity crisis due to continuous operating losses. The Fund can be invested in bank deposits, inter-bank market, government bonds, PBOC notes, financial bonds, money market funds etc.

The Group classified its own contribution to the Fund as financial assets at fair value through profit or loss.

## 19 SHARE CAPITAL AND CAPITAL RESERVE

All shares of the Company issued are fully paid common shares. The par value per share is RMB1 Yuan. The Company's shares are as follows:

	30 June 2021	31 December 2020
Number of shares authorised and issued (in thousand)	<u>4,658,850</u>	<u>4,658,850</u>
Share capital	<u><u>4,658,850</u></u>	<u><u>4,658,850</u></u>

Generally, transactions of the following nature are recorded in the capital reserve:

- Share premium arising from the issuance of share capital at prices in excess of their par value;
- Donations received from shareholders; and
- Any other items required by the PRC regulations.

Capital reserve can be utilised for increasing share capital as approved by the shareholders.

The Company issued shares at share premium. The share premium was recorded in the capital reserve after deducting share issue cost which mainly include underwriting fees and professional fees.

As of 30 June 2021, the Group's capital reserve is shown as follows:

	<b>30 June 2021</b>	31 December 2020
Share premium	<b>122,797</b>	122,797
Others	<b>20,488</b>	20,488
	<hr/>	<hr/>
Total	<b>143,285</b>	143,285
	<hr/> <hr/>	<hr/> <hr/>

## 20 DIVIDENDS

	<b>Six months ended 30 June 2021</b>	2020
Dividend declared during the period	<b>–</b>	256,237
	<hr/> <hr/>	<hr/> <hr/>

According to the profit distribution plan approved by the Company's 2019 Annual General Meeting on 17 June 2020, cash dividends of RMB256,237 thousand (RMB0.055 before tax per ordinary share) had been paid on 12 August 2020, based on the total number of ordinary shares of 4,658,850,000.

Under the PRC Company Law and the Company's Articles of Association, the net profit after tax as reported in the PRC statutory financial statements can only be distributed as dividends after allowances for the following:

- Making up prior year's cumulative losses, if any;
- Appropriation to the non-distributable statutory surplus reserve of 10% of the net profit of the Company; and
- Appropriation to the statutory general reserve.

In accordance with the relevant regulations, after the Company's initial public offering, the net profit after tax of the Company for the purpose of profit distribution is deemed to be the lesser of which determined in accordance with the China Accountant Standards and IFRS.

## 21 SHORT-TERM BORROWINGS

	30 June 2021	31 December 2020
Borrowings from China Trust Protection Fund Co., Ltd.	<u>1,600,000</u>	<u>100,000</u>

## 22 SUBSEQUENT EVENTS

The Group has no material events that requires additional disclosure after 30 June 2021.

## 13. AUDIT COMMITTEE

The Audit Committee has reviewed the accounting principles and conventions adopted by the Company with the management of the Company and the Company's external auditor. The Audit Committee has reviewed the interim results for the six months ended 30 June 2021.

## 14. THE INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2021 PUBLISHED ON THE HONG KONG STOCK EXCHANGE'S WEBSITE AND THE COMPANY'S WEBSITE

The interim results announcement for the six months ended 30 June 2021 is published on the website of the Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company's website ([www.sitic.com.cn](http://www.sitic.com.cn)). The interim report for the six months ended 30 June 2021 which contains all information required by the relevant Listing Rules will be distributed to shareholders of the Company and published on the Hong Kong Stock Exchange's website and the Company's website in due course.

By order of the Board of Directors  
**Shandong International Trust Co., Ltd.**  
**Wan Zhong**  
*Chairperson*

Jinan, the People's Republic of China, 26 August 2021

*As at the date of this announcement, the Board of Directors comprises Mr. Wan Zhong and Mr. Fang Hao as executive Directors; Mr. Xiao Hua, Mr. Jin Tongshui and Ms. Wang Bailing as non-executive Directors; Mr. Yen Huai-chiang, Mr. Ding Huiping and Ms. Meng Rujing as independent non-executive Directors.*