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# 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)**

## **ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021**

The board of directors (the “**Board**” or “**Board of Directors**”) of Shandong International Trust Co., Ltd. (the “**Company**”) is pleased to announce the audited consolidated annual results of the Company for the year ended 31 December 2021 (the “**Reporting Period**”). The content of this annual 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 annual results and the International Financial Reporting Standards (the “**IFRSs**”) promulgated by the International Accounting Standards Board. Such annual results have also been reviewed and confirmed by the Board and the audit committee of the Board (the “**Audit Committee**”). Unless otherwise stated, financial data of the Company are presented in Renminbi.

*In this annual 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 annual results announcement (except for the extracts of annual financial statements), 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) He Chuangye (賀創業)
<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</b>	He Chuangye (賀創業)
<b>Company Secretary</b>	He Chuangye (賀創業)
<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 Consolidated Statement of Profit or Loss and Other Comprehensive Income

		<b>Year ended 31 December</b>	
	<i>Notes</i>	<b>2021</b>	<b>2020</b>
		<i>(RMB in thousands)</i>	
Fee and commission income	11.4	<b>829,727</b>	1,152,419
Interest income	11.5	<b>540,793</b>	716,614
Net changes in fair value on financial assets at fair value through profit or loss (“FVPL”) and investments in associates measured at fair value	11.6	<b>(206,893)</b>	126,561
Investment income	11.7	<b>272,877</b>	146,181
Net gains on disposal of associates		<b>333,949</b>	109,920
Other operating income		<b>8,243</b>	53,935
<b>Total operating income</b>		<b>1,778,696</b>	2,305,630
<b>Total operating expenses</b>		<b>(1,794,878)</b>	(1,941,533)
<b>Operating (loss)/profit</b>		<b>(16,182)</b>	364,097
Share of results of investments in associates accounted for using the equity accounting method		<b>481,324</b>	368,874
<b>Profit before income tax</b>		<b>465,142</b>	732,971
Income tax credit/(expense)	11.11	<b>3,377</b>	(105,153)
<b>Net profit attributable to shareholders of the Company</b>		<b>468,519</b>	627,818

## 2.2 Summary of Consolidated Statement of Financial Position

	<b>As at 31 December</b>	
	<b>2021</b>	<b>2020</b>
	<i>(RMB in thousands)</i>	
Total current assets	<b>5,509,578</b>	6,262,894
Total current liabilities	<b>7,814,849</b>	9,066,957
Total non-current assets	<b>13,552,969</b>	14,420,927
Total non-current liabilities	<b>596,480</b>	1,441,740
Total assets	<b>19,062,547</b>	20,683,821
Total liabilities	<b>8,411,329</b>	10,508,697
Total equity	<b>10,651,218</b>	10,175,124

## 2.3 Summary of Consolidated Statement of Cash Flows

	<b>Year ended 31 December</b>	
	<b>2021</b>	<b>2020</b>
	<i>(RMB in thousands)</i>	
Net cash (used in)/generated from operating activities	<b>(1,731,951)</b>	237,673
Net cash generated from investing activities	<b>928,033</b>	261,455
Net cash generated from/(used in) financing activities	<b>1,421,161</b>	(494,628)
Effect of exchange rate changes on cash and cash equivalents	<b>(182)</b>	611
Net increase in cash and cash equivalents	<b>617,061</b>	5,111
Cash and cash equivalents at the beginning of the year	<b>969,535</b>	964,424
Cash and cash equivalents at the end of the year	<b>1,586,596</b>	969,535

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

#### **3.1 Environment Overview**

Since 2021, the global pandemic has frequently rebounded, and the global economy has been recovering. The marginal slowdown and the intensification of supply chain friction were superimposed, and the risk of geopolitical conflict has become prominent. The issues such as the continuously high commodity prices, the insufficient supply of raw materials, the shortage of labor in some posts, and the increasing economic differentiation in different fields were highlighted. The volatility of the international financial market has increased, and the adjustment of monetary policies of major developed economies have begun. China has responded calmly to the changes and the pandemic situation in the century, scientifically coordinated the COVID-19 pandemic prevention and control while working on economic and social development, deepened macro policies, made cross-cycle regulation, maintained a global leading position in economic development and pandemic prevention and control, and the main macro indicators are in a reasonable range. The strength of national strategic science and technology has been accelerated, the resilience of industrial chain has been improved, the reform and opening up has been promoted vertically, the people's livelihood security has been strong and effective, the construction of ecological civilisation has been continuously promoted, new steps have been taken to build a new development pattern, new steps have been taken to build a new development pattern, and new achievements have been made in high-quality development, achieving a good start in the 14th Five-Year Plan.

China's financial industry conscientiously implemented the decisions and deployments of the Party Central Committee, the State Council and regulatory departments, closely focused on the three tasks of serving the real economy, prevented and controlled financial risks and deepening financial reform, fully supported the comprehensive recovery and virtuous circle of the national economy, continuously increased the support for advanced manufacturing and strategic emerging industries, vigorously developed inclusive and green finance, continuously improved the multi-level, wide-coverage and differentiated financial institution system, firmly held the bottom line of non-systematic financial risks, and vigorously promoted the high-quality economic development.

At the end of the transition period of the new asset management regulations and the regulatory environment of “two pressures and one reduction”, China’s trust industry has always adhered to seeking improvement in stability, followed the regulatory guidance, carefully planned business transformation, made great efforts to optimise business structure, actively grasped new opportunities for development, continuously enhanced capital strength and improved the high-quality development of economy and the people’s ability to live a better life. As of the end of 2021, the balance of trust assets managed by China’s trust industry was RMB20.55 trillion, the structure of assets, the ways of allocation and the application of the fund has continued to be optimised, standardised business has developed rapidly, the business volume and quality have increased, the ability to serve the real economy has been continuously strengthened, and the business transformation has achieved positive progress.

### **3.2 Business Overview**

As a trust company regulated by the Chinese Banking and Insurance Regulatory Commission (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 2021, facing multiple tests such as complex and changeable domestic and international economic environments, increasingly fierce competition in market and arduous and formidable tasks of reform amid the repeated global pandemics, SITC adhered to the general tone of striving for progress while maintaining stability, promoted the transformation with reform, made every effort to carry out the annual key work, carried out three institutional reforms in a deep-going way, improved the national business and wealth network layout, sped up the transformation of wealth management, strengthened the disposal of risk projects, continuously implemented the construction of trust culture, and completed the formation of the “14th Five-Year Plan”.

Firstly, two-wheel drive of standard and non-standard and business transformation improved quality and efficiency. The Company grasped the development opportunity of a standard business, preliminarily built and completed the whole product line of actively managing standard products; took initiative in active management business, “Suixin Wenli”, “Taishanbao”, “Shandong Construction and Development Fund” and other net worth products were successively launched, and the existing scale exceeded RMB44.9 billion by the end of 2021; vigorously expanded asset-backed securities, and helped enterprises to raise funds directly; strengthened cooperation with banks, bank financial subsidiaries, securities companies and other financial institutions, and strove to build an all-round interbank cooperation system. The Company vigorously expanded investment loan linkage and equity debt combination businesses, and continued to improve the income generating capacity of traditional businesses. The Company focused on promoting the development of family trust and other service trust businesses based on account management. At the end of 2021, the cumulative contract amount was nearly RMB22 billion, maintaining the leading position in the industry on an ongoing basis, and the pace of returning to the origin of the trust was firm and strong. We actively practiced inclusive finance and strove to solve the problems of difficulty to cover long-tail customer groups for bank credit and financing difficulty. We made solid and steady use of property funds, actively carried out diversified investment, continuously optimised asset allocation, actively cultivated new engines for business transformation, and continuously improved the synergy with trust business.

Secondly, the Company strengthened the transformation direction of wealth management and improved the construction of independent marketing system. The Company further promoted the reform of wealth management business, set up a wealth management department, continuously strengthened the construction of independent marketing system, in 2021, the scale of independent marketing of RMB16.17 billion, with a year-on-year increase of 45.7%; 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, Dalian 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. The Company adopted the idea of “business division + department system” to adjust the Company’s organisational structure and optimise the operation mechanism, set up three major business departments of wealth management, family trust and capital market and six business centers, and set up functional departments such as the Trust Finance Department (Operation Centre), Information Technology Department and the Asset Monitoring Centre to continuously enhance service support capacity. The Company implemented the reform of the mechanism of professional managers, established a new management team through external introduction and internal competition. The Company comprehensively promoted the reform of the salary assessment system, vigorously introduced professionals, enhanced support for wealth management, capital markets and the original business, practically improved a market-oriented management mechanism integrating “strong incentives and hard constraints”, so as to create a corporate atmosphere with healthy competition and steady development.

Fourthly, the Company sped up the construction of financial science and technology, and enabled the innovation and upgrading of management. It strengthened the application of financial technology, completed the construction of intelligent risk control system, and comprehensively improved the ability of risk prediction, risk management and risk disposal; it developed the reconstruction and upgrade plan for standard product AM4.0 whole asset management platform and promoted its implementation, so as to continuously improve the support ability of information system for capital market business; the Company upgraded and launched its APP2.0 to comprehensively optimise the system interaction experience, promote the optimisation of the wealth-end system, and meet the requirements of rapid iteration of the wealth-end; it optimised business system functions, dug deep into business demand scenarios, and improved the online, standardised and intelligent level; it steadily implemented the reconstruction and upgrading scheme of family trust 2.0 system, and realised the functions of family trust account system management and customer life cycle management.



Fifthly, 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 to realise the quantitative management of real estate businesses risks, 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 sped 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 2021, the Group achieved operating income with an amount of RMB1,778.7 million, representing a year-on-year decrease of 22.9%; net profit attributable to shareholders of the Company was RMB468.5 million, representing a year-on-year decrease of 25.4%, mainly due to the year-on-year decrease of fee and commission income, interest income, net changes in fair value of financial assets at FVPL and investments in associates measured at fair value, which are partially offset by the year-on-year increase in investment income, net gains on disposal of associates and share of results of investments in associates accounted for using the equity accounting method and the year-on-year decrease of impairment losses on financial assets, net of reversal.

The Group's business segments are (i) trust business and (ii) proprietary business. Trust business is the Group's main business. As the trustee, the Group accepts entrustment of funds and/or property from its trustor clients and manages such entrusted funds and/or property 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 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:

	Year ended 31 December			
	2021		2020	
	Amount	%	Amount	%
<i>(RMB in thousands, except for %)</i>				
<b>Trust business</b>				
Operating income	<b>830,812</b>	<b>36.76%</b>	1,155,078	43.19%
Segment income	<b>830,812</b>	<b>36.76%</b>	1,155,078	43.19%
<b>Proprietary business</b>				
Operating income	<b>947,884</b>	<b>41.94%</b>	1,150,552	43.02%
Share of results from investments in associates accounted for using the equity accounting method	<b>481,324</b>	<b>21.30%</b>	368,874	13.79%
Segment income	<b>1,429,208</b>	<b>63.24%</b>	1,519,426	56.81%
<b>Total</b>	<b><u>2,260,020</u></b>	<b><u>100.00%</u></b>	<b><u>2,674,504</u></b>	<b><u>100.00%</u></b>

In 2021, the income from the trust business and proprietary business of the Group accounted for 36.8% and 63.2% of the total revenue of the Group, respectively.

### ***3.2.1 Trust Business***

In 2021, the AUM and income from trust business recorded a year-on-year decrease, and the income from actively managed trust in proportion of the fee and commission income of the total income from trust business maintained growth. The AUM of the Company decreased from RMB248,697 million as at 31 December 2020 to RMB156,450 million as at 31 December 2021, and the total number of trusts were 1,137 and 1,318, respectively, as at the respective dates. In 2021, the Company achieved income of trust business amounted to RMB830.8 million, indicating a year-on-year decrease of 28.1%. During the Reporting Period, revenue from the actively managed trust amounted to RMB686 million, accounting for 82.7% of the fee and commission income of the total income from trust business and indicating a year-on-year growth of 4.7 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 capabilities, the Company have been continuously developing trust products with new structures and new 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 right 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 based on the differences of the Company's roles and responsibilities regarding the management and use of trust assets, classified its trusts into administrative management trusts and actively managed trusts. The actively managed trusts can be further subdivided into financing trusts and investment trusts.

- (1) **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.

- (2) **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. The 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 trusts and the business scope of the trust license enables the Company to offer financial products with unique value to institutional investors and HNWI.
- (3) **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 trust, 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.

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:

	<b>As at 31 December</b>			
	<b>2021</b>		<b>2020</b>	
	<b>Number</b>	<b>AUM</b>	<b>Number</b>	<b>AUM</b>
	<i>(AUM: RMB in millions)</i>			
Financing trusts	<b>184</b>	<b>49,981</b>	176	70,117
Investment trusts	<b>987</b>	<b>28,139</b>	655	19,865
Administrative management trusts	<b>147</b>	<b>78,330</b>	306	158,715
<b>Total</b>	<b>1,318</b>	<b>156,450</b>	<b>1,137</b>	<b>248,697</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 percentage of the fee and commission income accounted for in the total income from trust business):

	<b>Year ended 31 December</b>			
	<b>2021</b>		<b>2020</b>	
	<b>Revenue</b>	<b>%</b>	<b>Revenue</b>	<b>%</b>
	<i>(Revenue: RMB in millions)</i>			
Financing trusts	<b>596</b>	<b>71.81</b>	635	55.12
Investment trusts	<b>90</b>	<b>10.84</b>	263	22.83
Administrative management trusts	<b>144</b>	<b>17.35</b>	254	22.05
<b>Total</b>	<b>830</b>	<b>100.00</b>	<b>1,152</b>	<b>100.00</b>

### *Trust Business Segmentation*

Combined with the actual business and development plan, the trust business carried out by the Company can be further divided into the following types:

#### *Real Estate Trusts*

Real estate trust refers to the business in which the trustor entrusts his legally owned funds to the trust company based on his trust in the trust company, and the trust company invests the funds in real estate enterprises or real estate projects and carries out management, application and disposal in his own name according to the wishes of the trustor.

The models of real estate trust business mainly include loan financing, equity investment and innovative business models, such as real estate investment trusts (REITs). The Company selects national enterprises with high industry ranking and high credit rating and high-quality enterprises deeply developed in the region as its counterparties, and provides financial support for residential real estate and non-residential real estate (such as commercial real estate, logistics real estate, etc.) mainly through debt financing and equity investment. In recent years, the Company has gradually increased the proportion of equity investment in real estate projects, and dividends and equity withdrawal income generated by equity investment projects have become an important source of the Company's income and profits.

As at 31 December 2021, the Company had 24 existing equity investment projects (including “equity + debt” projects), of which the total scale of pure equity investment was RMB1.859 billion. The Company will actively respond to the national macro policies, actively comply with the regulatory guidance, scientifically study and judge the market situation, vigorously support the construction of long-term rental housing and affordable housing, and continue to serve the reasonable inelastic and improving housing needs of residents.

### Capital Market Trusts

The capital market trusts business is the business that the trust company invests the legally raised trust funds directly or indirectly in the securities publicly issued according to law. The investment scope of capital market business usually includes: stocks listed and traded on stock exchanges, public securities investment funds, private securities investment funds, financial derivatives, corporate bonds, treasury bonds, convertible corporate bonds, asset-backed securities, treasury reverse repurchase, bank deposits and other varieties allowed by regulatory authorities. In terms of business model, there are two main business models: (1) actively-managed: The trust company directly invests the trust funds into stocks, bonds, public funds and other securities, or indirectly invests through the establishment of TOF and MOM. The trust company is specifically responsible for the whole process core work such as the construction, research, trading, liquidation and valuation of the product pool; (2) administrative management: The trust company invests the trust funds in the capital market trading varieties according to the investment suggestions of the investment consultant (such as the manager of private securities funds) designated by the trustor or selected by the trust company. The trust company provides investment consultants with trust services including account opening, property custody, trading, executive supervision, liquidation, valuation, equity registration, interest distribution, information disclosure, performance attribution and contract custody.

In 2021, SITC set up a capital market business department to carry out capital market business. The business department consists of fixed income department, portfolio investment department, equity investment department, asset securitisation department, interbank securities service department, private securities service department, investment strategy department, fund management department, comprehensive operation department and other professional departments, which provide investors with different risk preferences and different maturities with various assets including fixed income, mixed income, equity and financial derivatives to meet their diversified investment and asset allocation needs. The Company continued to increase its investment in information technology in capital market business. At present, the Company has established an integrated information system covering the whole process of the project, including project management system, trust beneficial right management system, standard product investment management system and asset securitisation system, which can be used to analyse the project, assets, customers, products, beneficial rights, business process, business account risk control and other comprehensive management and can provide commercial banks, bank

financial subsidiaries, securities companies, private securities fund management companies and other interbank institutions with whole process trust services such as custody, trading, valuation and settlement of securities such as stocks, bonds and funds.

As at 31 December 2021, the Company's total size of existing capital market business was RMB43.136 billion. With the establishment of the Science and Innovation Board, the Beijing Stock Exchange and the implementation of capital market deepening reform measures such as the comprehensive implementation of the stock issuance and registration system, the construction of China's multi-level capital market has been improved day by day, which provides a broad development platform and market space for trust companies to vigorously expand this kind of business.

### *Family Trusts*

Family trust refers to the trust business in which the trust company accepts the entrustment of a single person or family, with the protection, inheritance and management of family wealth as the main trust purpose, and provides customised affairs management and financial services such as property planning, risk isolation, asset allocation, children's education, family governance, public welfare (charity) undertakings, etc. The core function of family trust is to serve the client's family interests and pursue the realisation of family goals, i.e. to maintain the security of family property, protect the needs of family members, inherit family businesses and protect family privacy through the management and application of family property; in addition, it can also serve family children's education, family governance, family charity and many other family affairs.

Family trust is not only an important form for trust companies to return to their origin, but also a strategic business that SITC has adhered to and focused on for a long time. In recent years, the Company has continued to promote business model innovation, developed and implemented innovative service models such as equity family trust, insurance trust, family charity trust and education fund trust, and continuously met the personalised, diversified and customised service needs of customers. The Company actively expands financial industry cooperation, internal and external linkage, improves customer service ability, and actively constructs a service ecosystem. At present, the Company has established strategic cooperative relations with large state-owned commercial banks and national joint-stock commercial banks, and actively expanded cooperation with head securities companies and insurance companies. At the same time, the Company



attaches great importance to the application of financial technology in the field of family trust business, develops and launches the family trust comprehensive management platform system and client, and will realise online management of the full process of family trust customers such as online application, automatic information identification, online signing and online asset query as soon as possible.

As at 31 December 2021, the Company had established nearly 1,100 family trusts, with an existing scale of nearly RMB22 billion, which has always been in the forefront of the industry in recent years. In 2021, the Company's family trust was awarded the "Gold Honor Award" and "2021 Chinese Family Office top 30" at the annual summit of China's asset management and wealth management industry. China's middle class group is expanding gradually, and the number of high-net-worth clients is growing steadily. With the gradual improvement of supporting legal system and tax system, as the only financial instrument endowed by laws and regulations with many core functions such as asset isolation, protection, inheritance and wealth management, the functionality and importance of family trust are being known and recognised by more HNWIs, and the development prospect and market space of family trust are broad.

#### *Industrial and Commercial Enterprises Trusts*

Industrial and commercial enterprises trust refers to the business that the trust company, as the trustee, accepts the trust property of the trustor in the form of single or collective trust, and applies the trust capitals to industrial and commercial enterprises such as production, service and trade enterprises according to the wishes of the trustor to manage, apply and dispose of the trust property. Industrial and commercial enterprises trust can solve the capital needs of enterprises in the process of operation, such as liquidity capital needs, M&A capital needs, etc. Industrial and commercial enterprises trust is an important business for trust companies to comply with the guidance of national policies and guide social funds to invest in the real economy. It can meet the capital needs of enterprises through equity, creditor's rights, stock debt linkage, industrial funds and other ways.

As at 31 December 2021, the existing industrial and commercial enterprises trust scale of SITC. was RMB46.64 billion, and the counterparties were mainly central enterprises and state-owned enterprises with strong strength and high credit rating. Under the background of global outbreak, unsmooth circulation of industrial chain supply chain, rising commodity prices and new downward pressure on the economy, SITC will actively respond to the national call, flexibly

use trust instruments, and increase its support to the real economy, especially small and medium-sized and micro enterprises, scientific and technological innovation, green development, “specialised and innovative” enterprises, industries with regional characteristics and advantages, and ecological protection in the Yellow River Basin, so as to help enhance the core competitiveness of manufacturing industry and regional economic development.

### *Infrastructure Trusts*

Infrastructure trust refers to a business in which a trust company, as a trustee, accepts the trustor’s funds in the form of single or collective trust, and uses the trust funds for infrastructure projects such as transportation, communication, energy, municipal administration and environmental protection, and carries out management, application or disposal. The fields involved in infrastructure trust mainly include electric power, water conservancy, road traffic, municipal engineering, etc. Trust companies can provide financial support for infrastructure projects through loans, accounts receivable and asset securitisation. Infrastructure trust usually takes business operation income and government financial investment as repayment sources. As at 31 December 2021, the Company’s existing infrastructure trust amounted to RMB7.21 billion, and its counterparties were mainly state-owned enterprises.

SITC will seize the opportunity of the country to invest in infrastructure moderately in advance. While serving the traditional infrastructure construction, it will increase its support for new infrastructure represented by 5G network, artificial intelligence and Industrial Internet, so as to better serve the high-quality development of the real economy.

### *Consumer Finance Trusts*

Consumer financial trust refers to the financial products and services provided by trust companies to meet the consumption needs of different customer groups in society, which mainly focus on consumer credit. Specifically, it mainly refers to consumer loans or installment services provided by trust companies in cooperation with commercial banks, consumer finance companies, auto finance companies and other institutions. Compared with the trust business serving enterprises, consumer financial trust mainly serves natural persons and belongs to the scope of inclusive financial business.

The consumer finance trust developed by SITC is mainly a “loan assistance” model, that is, the Company entrusts consumer financial service institutions to obtain customers, and the Company issues consumer loans to customers after independent review. In this model, the Company directly signs a personal consumption trust loan contract with the borrower, and the consumer financial service institution, as the service institution hired by the trust company, on the one hand recommends the borrower to the trust company, and on the other hand assists the trust company in loan management.

As at 31 December 2021, the Company had established consumer finance trusts totaling RMB5.490 billion, with an existing scale of RMB2.767 billion, providing consumer financial services to 2.1687 million natural persons, and established long-term and stable cooperative relations with many well-known and stable platforms with high credit rating in the industry. With the introduction of normative documents in the consumer finance industry, the business rules and business model of consumer finance have become clearer, which has laid a solid institutional foundation and provided broad development space for trust companies to standardise and steadily carry out consumer finance business.

#### Asset Securitisation Trusts

Asset securitisation trust refers to the trust business in which the trust company, as the trustee, issues beneficiary certificates in the form of asset-backed securities for the specific purpose of structural financing activities in accordance with the provisions of the trust documents. Trust companies play three main roles in asset securitisation business: (1) as a special purpose vehicle (SPV) manager, participate in asset securitization business by means of special purpose trust (SPT); (2) as the trustee and issuer of asset-backed securities, use the investor base and channel base to issue, trade and circulate in the open market; (3) as the initiator of asset-backed securities, transfer and finance assets, reorganise existing underlying assets through the functions of trust asset independence, risk isolation and loan issuance, and actively constructs standardised securitisation underlying assets to obtain transaction value.

As at 31 December 2021, SITC, as the initiator and trustee of asset-backed securities, had set up 2 asset-backed securities projects with a cumulative scale of RMB7.501 billion, involving ABS, ABN, RMBS, etc. During the business process, the Company has established good cooperative relations with financial institutions including large securities companies, large commercial banks and many high-quality state-owned enterprises, and accumulated some experience in the screening and construction of underlying assets, asset transfer, information disclosure and trust affairs management. In the future, the Company will continuously improve its capabilities in asset pool construction, product structure design and pricing, and actively extend to underwriting, investment and other fields.

### Charitable Trusts

Charitable trust belongs to public trust, which refers to the business that the trustor entrusts his property to the trust company according to law for charitable purposes, which is managed and disposed of in his own name according to the wishes of the trustor, and carries out charitable activities. The service areas of charitable trust mainly include poverty alleviation, poverty relief, supporting the elderly, rescuing orphans, rescuing natural disasters, accident disasters and public health events. The state has always encouraged and supported the development of charitable trusts, and has given many policy supports in venture capital withdrawal, guarantee fund subscription, etc.

In recent years, the Company has actively carried out charitable trust business, and has initially established a business model of cooperation with family trusts. As at 31 December 2021, the Company had established a total of 11 standardised charitable trusts with an existing scale of approximately RMB75 million. According to the wishes of the trustor, the Company has used a total of RMB9.4742 million of trust funds and 4,829 direct beneficiaries. The charitable projects spread all over Shandong, Fujian, Jiangsu, Yunnan and other provinces and cities, which strongly promoted the development of public welfare undertakings such as providing financial aid to students, offering financial help to the poor and alleviating poverty. The development of poverty alleviation and other public welfare undertakings has effectively met the needs of customers, social organisations and government departments in public welfare and charity and social service. It was awarded the “China Financial Brand Summit and Financial Corporate Social Responsibility Conference-Top Ten Social Responsibility Projects of the Year” in 2021 and the 14th “Integrity Trust” Best Charity Trust Product Award. In 2021, the Company set up a new “Datong No.10 Charity Trust” featuring active management, self-management, online fund-raising and extensive participation, and driving more forces to participate in charity.

With the inclusion of “promoting common prosperity” and “three distributions” in the national top-level design and fundamental institutional arrangements, it is expected that more social wealth will be invested in the field of public welfare and charity in the future. Compared with foundation and donation, charitable trust has outstanding advantages in standardisation, systematisation, specialisation and scale, and will become an important financial tool for the third distribution, with great potential in “promoting common prosperity”.

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

In 2021, in order to reasonably optimise the allocation of its own funds and improve the operational standard of its own funds, the Company insisted on the strategy of combining long-term, mid-term and short-term assets, and made reliable 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 standardised products and the transformation and innovation of the “equity + debt” trust business. Secondly, the Company assessed the situation, transferred shares of First-Trust Fund Management Co., Ltd., and simplified the layout of financial equity investment, further focused on the main business of trust and served the transformation and development of the Company. Thirdly, 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 capital utilisation efficiency. The Company recorded segment income of RMB1,429.2 million from its proprietary business in 2021, representing a year-on-year decrease of 5.9%, mainly due to (i) a decrease in interest income from RMB714.0 million in 2020 to RMB539.7 million in 2021; (ii) a decrease in net changes in fair value on financial assets at FVPL and investments in associates measured at fair value from an income of RMB126.6 million in 2020 to a loss of RMB206.9 million in 2021. The interest income, net changes in fair value on financial assets at FVPL and investments in associates measured at fair value are partially offset by (i) an increase in investment income from RMB146.2 million in 2020 to RMB272.9 million in 2021; (ii) an increase in net gains on disposal of associates from RMB109.9 million in 2020 to RMB333.9 million in 2021; and (iii) an increase in share of results of investments in associates accounted for using the equity accounting method from RMB368.9 million in 2020 to RMB481.3 million in 2021.

### *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 the Company's 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. 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 in order to maintain the Company's liquidity and satisfy capital requirement 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:

	<b>As at 31 December</b>	
	<b>2021</b>	<b>2020</b>
	<i>(RMB in thousands)</i>	
<b>Investments in monetary assets</b>	<b>2,045,734</b>	730,299
Deposits at banks	<b>77,253</b>	47,042
Other monetary fund	<b>1,299,674</b>	651,807
Government bonds purchased under agreements to resell	<b>668,807</b>	31,450
<b>Securities Investments</b>	<b>7,058,604</b>	6,048,721
<i>Investment in equity products</i>	<b>944,559</b>	708,842
Listed shares classified as:		
— financial assets at FVPL	<b>7,809</b>	90,395
Subtotal	<b>7,809</b>	90,395
Mutual funds classified as:		
— financial assets at FVPL	<b>936,750</b>	618,447
Subtotal	<b>936,750</b>	618,447



	<b>As at 31 December</b>	
	<b>2021</b>	<b>2020</b>
	<i>(RMB in thousands)</i>	
<i>Investment in wealth management products</i>		
Investments in consolidated trust schemes	<b>4,817,676</b>	5,132,481
Investment in unconsolidated trust schemes classified as financial assets at FVPL	<b>213,994</b>	104,640
Financial investment classified as amortised cost measurement	<b>887,634</b>	–
Asset management products	<b>194,741</b>	102,758
<b>Long-Term Equity Investments</b>	<b>2,245,272</b>	1,932,383
Investment accounted for using the equity method	<b>1,705,702</b>	1,642,703
Investment classified as financial assets at FVPL	<b>539,570</b>	289,680
<b>Proprietary Loans</b>	<b>1,687,504</b>	993,950
<b>Trust Industry Protection Fund</b>	<b>104,500</b>	100,116
<b>Total</b>	<b>13,141,614</b>	9,805,469



### *Monetary Assets*

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

	<b>As at 31 December</b>	
	<b>2021</b>	<b>2020</b>
	<i>(RMB in thousands)</i>	
<b>Investment in monetary assets</b>		
— Deposit at banks	<b>77,253</b>	47,042
— Other monetary fund	<b>1,299,674</b>	651,807
— Government bonds purchased under agreements to resell	<b>668,807</b>	31,450
<b>Total</b>	<b>2,045,734</b>	730,299
	<b>Year ended 31 December</b>	
	<b>2021</b>	<b>2020</b>
	<i>(RMB in thousands)</i>	
<b>Interest income generated from:</b>		
— Deposit at banks	<b>6,265</b>	4,131
— Government bonds purchased under agreements to resell	<b>12,512</b>	6,326
<b>Total</b>	<b>18,777</b>	10,457

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 1.3% and 1.4% for the years ended 31 December 2020 and 31 December 2021, respectively.

## *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, financial investment classified as amortised cost measurement, 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:

	<b>Year ended 31 December</b>	
	<b>2021</b>	<b>2020</b>
	<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
— Financial investments – amortised cost	<b>Medium</b>	Medium
— Asset management products	<b>Medium</b>	Medium
<b>Average investment balance <sup>(1)</sup></b>		
— Equity products	<b>826.7</b>	677.1
— Trust schemes	<b>5,134.4</b>	5,297.7
— Financial investments- amortised cost	<b>443.8</b>	–
— Asset management products	<b>148.7</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 increased by 22.1% from RMB677.1 million in 2020 to RMB826.7 million in 2021; the average balance of investments in trust schemes decreased by 3.1% from RMB5,297.7 million in 2020 to RMB5,134.4 million in 2021; the

average balance of the Company's financial investments – amortised cost was RMB443.8 million in 2021; and the average balance of the Company's investments in asset management products increased by 7.4% from RMB138.4 million in 2020 to RMB148.7 million in 2021.

### *Long-Term Equity Investments*

The Company made strategic long-term investments in a number of financial institutions, which helped the Company 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 31 December 2021, including their main businesses, the Company's proportionate equity interests in them, whether the Company held any board seats, the date of the Company's first investment, and the relevant accounting treatment of each investment.

Name	Main business	Equity interest as at 31 December 2021	Board seat	First investment date	Accounting treatment
Sinotruk Auto Finance Co., Ltd. (formerly known as Shandong HOWO Auto Finance Co., Ltd.)	Automobile financing	6.52%	Yes	September 2015	Investments accounted for using the equity method
Fullgoal Fund Management Co., Ltd.	Management of securities investment funds	16.68%	Yes	April 1999	Investments accounted for using the equity method
Taishan Property & Casualty Insurance Co., Ltd.	Insurance products and services	7.40%	Yes	December 2010	Investments accounted for using the equity method
Dezhou Bank Co., Ltd.	Commercial banking	2.37%	Yes	November 2009	Investments accounted for using the equity method
Minsheng Securities Co., Ltd.	Securities brokerage, securities asset management and proprietary investment	1.16%	No	January 1999	Financial assets at FVPL

The Company uses the equity method to account for its long-term equity interests 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) together with their investment return (in terms of dividend income generated) for the periods indicated below are summarised as follows:

	<b>As at 31 December</b>	
	<b>2021</b>	<b>2020</b>
	<i>(RMB in thousands)</i>	
<b>Long-term equity investments, accounted for:</b>		
— As associate using the equity method	<b>1,705,702</b>	1,642,703
— Investment categorised as financial assets at FVPL	<b>539,570</b>	289,680
<b>Total</b>	<b>2,245,272</b>	1,932,383
	<b>Year ended 31 December</b>	
	<b>2021</b>	<b>2020</b>
	<i>(RMB in thousands)</i>	
<b>Dividend income generated from:</b>		
— As associate using the equity method	<b>120,394</b>	60,197
— Investment categorised as financial assets at FVPL	<b>14,166</b>	6,768
<b>Total</b>	<b>134,560</b>	66,965

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 3.9% and 6.4% for the years ended 31 December 2020 and 31 December 2021, respectively. The increase in average return on long-term equity investments in 2021 as compared to that of 2020 was primarily due to the increase in dividend income from the associates of the Company in 2021.

#### *Proprietary Loans*

While the Company is allowed to grant proprietary loans to its customers, it does not engage in such business on a regular basis. As at 31 December 2020 and 31 December 2021, the outstanding balance of the Company's proprietary loans were RMB994.0 million and RMB1,687.5 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 Trust Industry 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 31 December 2021.

### **3.3 Financial Overview**

#### ***Consolidated Statement of Profit or Loss and Other Comprehensive Income Analysis***

In 2021, the net profit attributable to shareholders of the Company amounted to RMB468.5 million, which decreased by RMB159.3 million as compared to the corresponding period of last year, representing a decrease of 25.4%.

### 3.3.1 Results of Operations

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

	<b>Year ended 31 December</b>	
	<b>2021</b>	<b>2020</b>
	<i>(RMB in thousands)</i>	
Fee and commission income	<b>829,727</b>	1,152,419
Interest income	<b>540,793</b>	716,614
Net changes in fair value on financial assets at FVPL and investments in associates measured at fair value	<b>(206,893)</b>	126,561
Investment income	<b>272,877</b>	146,181
Net gains on disposal of associates	<b>333,949</b>	109,920
Other operating income	<b>8,243</b>	53,935
<b>Total operating income</b>	<b>1,778,696</b>	2,305,630
Interest expenses	<b>(552,096)</b>	(620,516)
Staff costs (including directors and supervisors' emoluments)	<b>(144,038)</b>	(139,254)
Depreciation and amortisation	<b>(16,490)</b>	(13,588)
Change in net assets attributable to other beneficiaries of consolidated structured entities	<b>(151,455)</b>	(16,575)
Tax and surcharges	<b>(12,701)</b>	(11,317)
Administrative expenses	<b>(93,251)</b>	(78,998)
Auditor's remuneration	<b>(1,415)</b>	(1,972)
Impairment losses on financial assets, net of reversal	<b>(823,432)</b>	(1,058,799)
Impairment losses on other assets	<b>–</b>	(514)
<b>Total operating expenses</b>	<b>(1,794,878)</b>	(1,941,533)
<b>Operating (loss)/profit</b>	<b>(16,182)</b>	364,097
Share of results of investments in associates accounted for using the equity accounting method	<b>481,324</b>	368,874
<b>Profit before income tax</b>	<b>465,142</b>	732,971
Income tax credit/(expense)	<b>3,377</b>	(105,153)
<b>Net profit attributable to shareholders of the Company</b>	<b>468,519</b>	627,818

### 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>Year ended 31 December</b>	
	<b>2021</b>	<b>2020</b>
	<i>(RMB in thousands)</i>	
<b>Fee and commission income from:</b>		
Trustee's remuneration	<b>829,727</b>	1,152,151
Others	<u>—</u>	<u>268</u>
<b>Total</b>	<b><u>829,727</u></b>	<b><u>1,152,419</u></b>

The Group's fee and commission income in 2021 was RMB829.7 million, representing a decrease of 28.0% as compared to RMB1,152.4 million in 2020. Such decrease was primarily due to a decrease in the Group's trustee's remuneration, which was caused by a decrease in the average AUM (average of the beginning balance and the ending balance of AUM during the Reporting Period) of the Company in 2021.

### *Interest Income*

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

	<b>Year ended 31 December</b>	
	<b>2021</b>	<b>2020</b>
	<i>(RMB in thousands)</i>	
<b>Interest income from:</b>		
Cash and bank balance	<b>6,704</b>	4,131
Loans to customers	<b>519,747</b>	695,899
Financial investments – amortised cost	<b>112</b>	6,226
Financial assets purchased under resale agreements	<b>13,167</b>	6,326
Contribution to Trust Industry Protection Fund	<b>1,063</b>	4,032
<b>Total</b>	<b>540,793</b>	716,614

The Group's interest income in 2021 was RMB540.8 million, representing a decrease of 24.5% as compared to RMB716.6million in 2020. Such decrease was primarily due to a decrease in the daily average of the scale of loans granted by the consolidated structured entities of the Group which recorded interest income in 2021, and the Group's interest income from loans to customers decreased by 25.3% from RMB695.9 million in 2020 to RMB519.7 million in 2021.

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

Net changes in fair value on financial assets at FVPL and investment in associates measured at fair value decreased from a gains of RMB126.6 million in 2020 to a loss of RMB206.9 million in 2021, primarily due to (i) the transfer of the income of the Group from changes in fair value recognized in previous years to investment income from the disposal of stocks, mutual funds and investments in associates at fair value; and (ii) the increase in the fair value of bonds held by the Group.



### *Investment Income*

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

	<b>Year ended 31 December</b>	
	<b>2021</b>	<b>2020</b>
	<i>(RMB in thousands)</i>	
<b>Dividends income from:</b>		
Financial assets at FVPL	<b>59,841</b>	6,768
<b>Net realised gains from disposal of:</b>		
Financial assets at FVPL	<u><b>213,036</b></u>	<u>139,413</u>
<b>Total</b>	<u><b>272,877</b></u>	<u>146,181</u>

The Group's investment income in 2021 was RMB272.9 million, representing an increase of RMB126.7 million as compared to RMB146.2 million in 2020. Such increase was due to (i) the increase in dividends received from financial assets at FVPL; and (ii) more gains generated by the disposal of listed shares and mutual funds of the Group in 2021.

### *Net Gains on Disposal of Associates*

In 2021, the associates held by the specific consolidated structured entities which were accounted for by the Group using the equity method were disposed of, and the Group realised a net gain of RMB333.9 million. The gains obtained in 2020 was RMB109.9 million.

### 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 trusts (after offsetting the impairment losses attributable to such third-party beneficiaries).

The Group's interest expenses in 2021 were RMB552.1 million, representing a decrease of 11.0% as compared to RMB620.5 million in 2020, primarily due to a decrease 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), partially offset by the increase in interest expenses on borrowings from 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>Year ended 31 December</b>	
	<b>2021</b>	<b>2020</b>
	<i>(RMB in thousands)</i>	
Salaries and bonuses	<b>105,967</b>	110,642
Pension costs (defined contribution plans)	<b>13,408</b>	7,068
Housing funds	<b>7,089</b>	6,276
Labour union fee and staff education expenses	<b>2,561</b>	2,997
Other social security and benefit costs	<b>15,013</b>	12,271
<b>Total</b>	<b>144,038</b>	139,254

The Company's staff costs in 2021 were RMB144.0 million, representing an increase of 3.4% as compared to RMB139.3 million in 2020, primarily due to the increase in pension costs, and other social security and welfare costs.

*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>Year ended 31 December</b>	
	<b>2021</b>	<b>2020</b>
	<i>(RMB in thousands)</i>	
Loans to customers	<b>650,231</b>	1,075,066
Financial investments -amortised cost	<b>187,471</b>	(95)
Trustee's remuneration receivable	<b>(10,739)</b>	(626)
Others	<b>(3,531)</b>	(15,546)
<b>Total</b>	<b><u>823,432</u></b>	<b><u>1,058,799</u></b>

Impairment losses on financial assets, net of reversal of the Group decreased by 22.2% from RMB1,058.8 million in 2020 to RMB823.4 million in 2021, which was primarily due to the provision for asset impairment made by the Group based on the principle of prudence in response to loans to customers and financial investments-amortised cost under the superimposed influence of micro economy situation, industry environment, credit environment and multiple rounds of epidemics in 2021.

*Share of results of investments in associates accounted for using the equity accounting method*

The Group's share of results of investments in associates accounted for using the equity accounting method increased by 30.5% from RMB368.9 million in 2020 to RMB481.3 million in 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>Year ended 31 December</b>	
	<b>2021</b>	<b>2020</b>
	<i>(RMB in thousands)</i>	
Profit before income tax	<b>465,142</b>	732,971
Operating margin <sup>(1)</sup>	<b>26.2%</b>	31.8%

*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 36.5% from RMB733.0 million in 2020 to RMB465.1 million in 2021, and the Group's operating profit margin decreased from 31.8% in 2020 to 26.2% in 2021.

### *Income Tax Credit/(Expense)*

The Group's income tax credit/(expense) changed from RMB105.2 million in 2020 to income tax credit of RMB3.4 million in 2021, primarily due to (i) the decrease in profit before income tax of the Group; and (ii) the increase in the tax influenced by tax-free income in 2021 of the Group.

*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>Year ended 31 December</b>	
	<b>2021</b>	<b>2020</b>
	<i>(RMB in thousands)</i>	
Net profit attributable to shareholders of the Company	<b>468,519</b>	627,818
Net profit margin <sup>(1)</sup>	<b>26.3%</b>	27.2%

*Note:*

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

As a result the foregoing reasons, the net profit attributable to the shareholders of the Company decreased by 25.4% from RMB627.8 million in 2020 to RMB468.5 million in 2021. The Group's net profit margin decreased from 27.2% in 2020 to 26.3% in 2021.

### 3.3.4 Segment Results of Operations

From the business perspective, the Group 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>Year ended 31 December</b>	
	<b>2021</b>	<b>2020</b>
	<i>(RMB in thousands)</i>	
<b>Trust business:</b>		
Operating income	<u>830,812</u>	<u>1,155,078</u>
Segment income	<u><b>830,812</b></u>	<u><b>1,155,078</b></u>
<b>Proprietary business:</b>		
Operating income	<b>947,884</b>	1,150,552
Share of results of investments in associates accounted for using the equity accounting method	<u>481,324</u>	<u>368,874</u>
Segment income	<u><b>1,429,208</b></u>	<u><b>1,519,426</b></u>

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

	<b>Year ended 31 December</b>	
	<b>2021</b>	<b>2020</b>
	<i>(RMB in thousands)</i>	
Trust business	<b>(248,930)</b>	(215,486)
Proprietary business	<u><b>(1,545,948)</b></u>	<u>(1,726,047)</u>
Total operating expenses	<u><b>(1,794,878)</b></u>	<u><b>(1,941,533)</b></u>

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

	<b>Year ended 31 December</b>	
	<b>2021</b>	<b>2020</b>
	<i>(RMB in thousands)</i>	
Trust business	<b>581,882</b>	939,592
Proprietary business	<b>(116,740)</b>	(206,621)
<b>Total profit before income tax</b>	<b><u>465,142</u></b>	<b><u>732,971</u></b>

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

	<b>Year ended 31 December</b>	
	<b>2021</b>	<b>2020</b>
Trust business	<b>70.0%</b>	81.3%
Proprietary business	<b>(8.2%)</b>	(13.6%)

### ***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 deposits balance. Segment operating expenses of the Group's trust business mainly consist of staff costs, depreciation and amortisation, tax and surcharges and administrative expenses that are related to the Group's trust business.

The segment profit before income tax for the Group's trust business decreased by 38.1% from RMB939.6 million in 2020 to RMB581.9 million in 2021, primarily due to a decrease of 28.1% in the segment income from the trust business from RMB1,155.1 million in 2020 to RMB830.8 million in 2021 and an increase of 15.5% in the segment operating expenses in the trust business from RMB215.5 million in 2020 to RMB248.9 million in 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 RMB1,152.4 million in 2020 to RMB829.7 million in 2021.

The increase in the segment operating expenses in the trust business was mainly due to an increase in administrative expenses related to the Group's trust business from RMB57.3 million in 2020 to RMB85.1 million in 2021.

As a result of the foregoing, the segment margin of the trust business decreased from 81.3% in 2020 to 70.0% in 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 associates and share of results of investments in associates accounted for using the equity accounting method. The segment operating expenses of the Group's proprietary business mainly consists of the trust benefits that the Group's consolidated financing trust schemes expect to distribute to third-party beneficiaries, staff costs, depreciation and amortisation, change in net assets attributable to other beneficiaries of consolidated structured entities, tax and surcharges and impairment losses on financial assets, net of reversal.



The segment loss before income tax for the Group's proprietary business decreased from RMB206.6 million of loss in 2020 to RMB116.7 million of loss in 2021, primarily due to a decrease of 10.4% in the segment operating expenses from the proprietary business from RMB1,726.0 million in 2020 to RMB1,545.9 million in 2021, partially offset by the decrease of 5.9% in the segment income from the proprietary business from RMB1,519.4 million in 2020 to RMB1,429.2 million in 2021.

- (1) The decrease in segment operating expenses from the proprietary business was mainly due to a decrease in the impairment losses on financial assets, net of reversal from RMB1,058.8 million in 2020 to RMB823.4 million in 2021, which are partially offset by an increase in change in net assets attributable to other beneficiaries of consolidated structured entities from RMB16.6 million in 2020 to RMB151.5 million in 2021.
- (2) The decrease in the segment income from the proprietary business was mainly due to (i) a decrease in interest income from RMB714.0 million in 2020 to RMB539.7 million in 2021; (ii) a decrease in net changes in fair value on financial assets at FVPL and investments in associates measured at fair value from an income of RMB126.6 million in 2020 to a loss of RMB206.9 million in 2021. The interest income, net changes in fair value on financial assets at FVPL and investments in associates measured at fair value are partially offset by (i) an increase in investment income from RMB146.2 million in 2020 to RMB272.9 million in 2021; (ii) an increase in net gains on disposal of associates from RMB109.9 million in 2020 to RMB333.9 million in 2021; and (iii) an increase in share of results of investments in associates accounted for using the equity accounting method from RMB368.9 million in 2020 to RMB481.3 million in 2021.

As a result of the foregoing, the segment margin of the Group's proprietary business increased from -13.6% in 2020 to -8.2% in 2021.

### ***3.3.7 Selected Consolidated Financial Positions***

The Group's 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 Company's consolidated trust schemes are accounted for as liabilities in the Group's consolidated statements of financial positions.

#### *Assets*

As at 31 December 2020 and 31 December 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 RMB19,062.5 million, respectively, of which the total assets of the Company amounted to RMB10,974.5 million and RMB14,271.3 million, respectively. The Group's major assets consist of (i) loans to customers, (ii) investments in associates, (iii) financial investments – amortised cost, (iv) financial assets at FVPL, (v) cash and bank balances, (vi) trustee's remuneration receivable and (vii) financial assets purchased under resale agreements. As at 31 December 2021, the above-mentioned major assets accounted for 49.2%, 10.9%, 4.7%, 16.6%, 8.3%, 1.0% and 3.7%, 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:

	<b>As at 31 December</b>	
	<b>2021</b>	<b>2020</b>
	<i>(RMB in thousands)</i>	
Corporate loans-at amortised cost	<b>11,400,623</b>	14,232,249
Including: issued by the Company	<b>2,000,000</b>	993,950
issued by consolidated		
structured entities	<b>9,400,623</b>	13,238,299
Interest receivable	<b>193,609</b>	72,446
<b>Loans to customers, gross</b>	<b>11,594,232</b>	14,304,695
Less: Expected credit losses		
allowance – loans	<b>(2,057,573)</b>	(1,555,395)
Expected credit losses		
allowance – interest		
receivable	<b>(149,779)</b>	(1,726)
<b>Loans to customers, net</b>	<b>9,386,880</b>	12,747,574
Presented as:		
Non-current assets	<b>8,214,294</b>	9,641,926
Current assets	<b>1,172,586</b>	3,105,648
<b>Loans to customers, net</b>	<b>9,386,880</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 all 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 Company's financial statements were identified as impaired during the Reporting Period. The gross amount of such impaired loans increased by 13.1% from RMB8,657.3 million as at 31 December 2020 to RMB9,789.2 million as at 31 December 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 31 December 2021 were RMB7,282.4 million and RMB7,926.1 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 RMB1,986.2 million for these impaired loans as at 31 December 2020 and 31 December 2021, respectively, representing 16.4% and 20.3% of the gross amount of those loans, respectively. The impairment allowances provided by the Group 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 85.9% of the Group's gross loans to customers as at 31 December 2020 and 31 December 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 31 December 2021, the gross amount of proprietary loans and the net amount of proprietary loans of the Company accounted for 17.5% and 18.1% 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 31 December</b>	
	<b>2021</b>	<b>2020</b>
	<i>(RMB in thousands)</i>	
Corporate loans – at amortised cost	<b>2,000,000</b>	993,950
Interest receivable	<b>149,779</b>	–
<b>Loans to customers, gross</b>	<b>2,149,779</b>	993,950
Less: Expected credit losses allowance – Loans	<b>(312,496)</b>	–
Expected credit losses allowance – Interest receivable	<b>(149,779)</b>	–
<b>Loans to customers, net</b>	<b>1,687,504</b>	993,950
Presented as:		
Non-current assets	<b>1,687,504</b>	–
Current assets	–	993,950
<b>Loans to customers, net</b>	<b>1,687,504</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 31 December 2021	As at 31 December	
		2021	2020
		(RMB in thousands)	
Associates of the Company, measured at equity accounting method			
Fullgoal Fund Management Co., Ltd. (富國基金管理有限公司)	16.68%	1,174,603	869,824
Taishan Property & Casualty Insurance Co., Ltd. (泰山財產保險股份有限公司)	7.40%	199,435	215,101
Sinotruk Automobile Finance Co., Ltd. (formerly known as Shandong HOWO Auto Finance Co., Ltd. (重汽汽車金融有限公司(山東豪沃汽車金融有限公司))	6.52%	209,241	207,775
Shandong Luxin New and old 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))	—	—	148,739
Dezhou Bank Co., Ltd. (德州銀行股份有限公司)	2.37%	119,333	110,344
First-Trust Fund Management Co., Ltd. (泰信基金管理有限公司)	—	—	52,410
Tailong Health Industry Investment Company Limited (太龍健康產業投資有限公司)	—	—	35,626
Anhui Luxin Equity Investment Fund Management Co., Ltd. (安徽魯信股權投資基金管理有限公司)	25.00%	3,090	2,884
Gross amount		1,705,702	1,642,703
Less: Impairment		—	—
Subtotal		1,705,702	1,642,703

	Equity Interest as at 31 December 2021	As at 31 December	
		2021	2020
		(RMB in thousands)	
Associates indirectly held by the Group through consolidated structured entities, measured at equity accounting method			
Shandong Provincial Financial Asset Management Co., Ltd. (山東省金融資產 管理股份有限公司)	—	—	674,489
Others		19,284	71,859
Gross amount		19,284	746,348
Less: Impairment		(2,000)	(10,000)
Subtotal		17,284	736,348
Associates indirectly held by the Group through consolidated structured entities, measured at fair value			
Tengzhou Haide Park Property Co., Ltd. (滕州 海德公園地產有限公司)	—	—	151,210
Huizhou Zhengfeng Industrial Investment Co., Ltd. (惠州市正豐實業投資有限公司)	—	—	120,000
Cangzhou Liangsheng Property Co., Ltd. (滄州 梁生房地產開發有限公司)	—	—	111,088
Nanyang Liangheng Real Estate Co., Ltd. (南陽 梁恒置業有限公司)	49.00%	88,849	82,320
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%	116,238	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%	63,059	49,315
Ankang Liangsheng Jiye Property Co., Ltd. (安 康梁盛基業置業有限公司)	20.00%	36,424	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%	27,928	30,000
Weifang Hengru Real Estate Co., Ltd. (濰坊恒 儒置業有限公司)	15.00%	16,820	15,000
Shenzhen Qianhai Run Xin Investment Co., Ltd. (深圳前海潤 信投資有限公司)	—	—	13,234
Subtotal		349,318	863,729
Total		2,072,304	3,242,780

### *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:

	<b>As at 31 December</b>	
	<b>2021</b>	<b>2020</b>
	<i>(RMB in thousands)</i>	
Listed shares	<b>7,809</b>	90,395
Equity investments in unlisted entities	<b>1,213,665</b>	289,680
Asset management products	<b>194,741</b>	107,077
Mutual funds	<b>1,032,197</b>	618,447
Bonds	<b>388,825</b>	886,168
Investments in trust schemes	<b>213,994</b>	129,436
Investments in Trust Industry Protection Fund	<b>113,228</b>	115,253
<b>Total</b>	<b><u>3,164,459</u></b>	<b><u>2,236,456</u></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 increased by 41.5% from RMB2,236.5 million as at 31 December 2020 to RMB3,164.5 million as at 31 December 2021, primarily due to the Group's (i) increase of the equity investments in unlisted entities; (ii) increase of the investments in asset management products; (iii) increase of the investments in mutual funds; (iv) increase of the investments in trust schemes; (v) decrease of the investments in listed shares and (vi) decrease of the investment in bonds.



### *Cash and Bank Balances*

As at 31 December 2020 and 31 December 2021, the Group's cash and bank balances amounted to RMB969.5 million and RMB1,586.6 million, respectively, of which RMB698.8 million and RMB1,376.9 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 increased by 20.7% from RMB165.9 million as at 31 December 2020 to RMB200.1 million as at 31 December 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 allowed only to receive trustee's remuneration after the trust has paid its quarterly dividends, and the Company expects to continue to have certain amount of trustee's remuneration receivable in the future. As at 28 February 2022, 25.6% of the trustee's remuneration receivable was recovered.

### *Financial Assets Purchased under the Agreements to Resell*

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

The Group's government bond purchased under reverse repurchase agreements to resell increased by 551.1% from RMB107.1 million as at 31 December 2020 to RMB697.6 million as at 31 December 2021. These changes were due to the flexible adjustment of the business scale of the Group'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 bond purchased under reverse repurchase agreements to resell as at 31 December 2020 and 31 December 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 the Trust Industry Protection Fund and the Company should collect the required contribution funds from its counterparty clients and pay to the Trust Industry Protection Fund on behalf of the counterparty clients. Upon liquidation of a financing trust, the Trust Industry Protection Fund will return 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 the 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 the Trust Industry Protection Fund due from its counterparty clients, which amounted to RMB289.4 million and RMB11.6 million as at 31 December 2020 and 31 December 2021, respectively, among which RMB179.5 million and RMB8.9 million were classified as non-current assets, and RMB109.9 million and RMB2.7 million were classified as current assets. Instead of collecting such amounts from the counterparty clients before the liquidation of the financing trusts, the Company recovers such amounts from distributions to be made by the 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 the Trust Industry Protection Fund upon termination of the Company's financing trusts.

## *Liabilities*

As at 31 December 2020 and 31 December 2021, the Group's total liabilities amounted to RMB10,508.7 million and RMB8,411.3 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 noncurrent portions) and other current liabilities. As at 31 December 2021, the net assets attributable to other beneficiaries of consolidated structured entities (both current and non-current portion), short-term borrowings, salary and welfare payable (both current and non-current portion) and other current liabilities accounted for 62.8%, 19.1%, 1.4% and 15.4% 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 the 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, it 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 scheme.

The Group's total net assets attributable to other beneficiaries of consolidated structured entities (both current and noncurrent portions) decreased by 44.1% from RMB9,459.8 million as at 31 December 2020 to RMB5,285.0 million as at 31 December 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 31 December 2021, the Group's short-term borrowings amounted to RMB1,604.2 million were interest-bearing loans from China Trust Protection Fund Co., Ltd. that fall due and were repaid 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 the Trust Industry Protection Fund collected from counterparty clients of the Company's financing trusts, deferred trustee's remuneration, fund due to the unconsolidated structured entries managed by the Company, and value-added tax and surcharges for trusts.

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 RMB194.0 million as at 31 December 2021.

The Company's deferred trustee's remuneration increased from RMB13.9 million as at 31 December 2020 to RMB30.8 million as at 31 December 2021.

The fund due to the unconsolidated structured entities managed by the Company as at 31 December 2021 was RMB596.3 million, which was paid in January 2022.

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 the SAT 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 plan 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 31 December 2021, the outstanding VAT for trusts and the related surcharges amounted to RMB46.3 million.

### *Off-balance Sheet Arrangements*

As at 31 December 2021, the Group did not have any outstanding off balance sheet guarantees or foreign currency forward contracts.

#### ***3.3.8 Assets under Management, 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 31 December 2021, the Company had consolidated 50 and 32 of the trust schemes under its management, respectively, and the total trust assets of these consolidated trust schemes were RMB15,220.3 million and RMB10,427.6 million, respectively. The following table sets forth changes in the number of the Group's consolidated trust schemes during the Reporting Period:

	<b>As at 31 December</b>	
	<b>2021</b>	<b>2020</b>
<b>Beginning:</b>	<b>50</b>	<b>58</b>
Newly consolidated trust schemes	<b>5</b>	<b>10</b>
Deconsolidated trust schemes	<b>23</b>	<b>18</b>
<b>Ending:</b>	<b>32</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:

	<b>As at 31 December</b>	
	<b>2021</b>	<b>2020</b>
	<i>(RMB in millions)</i>	
Total assets of the Company	<b>14,271</b>	10,975
Total assets of consolidated trust schemes	<b>10,428</b>	15,220
Consolidation adjustment	<b>(5,636)</b>	(5,511)
<b>Total assets of the Group</b>	<b>19,063</b>	<b>20,684</b>

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:

	<b>As at 31 December</b>	
	<b>2021</b>	<b>2020</b>
	<i>(RMB in millions)</i>	
Total liabilities of the Company	<b>3,695</b>	889
Total liabilities of consolidated trust schemes	<b>10,428</b>	15,220
Consolidation adjustment	<b>(5,712)</b>	(5,600)
<b>Total liabilities of the Group</b>	<b>8,411</b>	<b>10,509</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:

	<b>As at 31 December</b>	
	<b>2021</b>	<b>2020</b>
	<i>(RMB in millions)</i>	
Total equity of the Company	<b>10,576</b>	10,086
Consolidation adjustment	<b>76</b>	89
<b>Total equity of the Group</b>	<b>10,652</b>	<b>10,175</b>

The consolidation of these trust schemes also significantly affected the Group's results of operations. For example, all trustees' remunerations which 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 the Company's shareholders resulting from the consolidation of these trust schemes during the Reporting Period:

	<b>Year ended 31 December</b>	
	<b>2021</b>	<b>2020</b>
	<i>(RMB in millions)</i>	
Net profit attributable to the Company's shareholders before consolidation of trust schemes	<b>484</b>	587
Impact of consolidation of trust schemes	<b>(15)</b>	41
<b>Net profit attributable to the Group's shareholders after consolidation of trust schemes</b>	<b>469</b>	<b>628</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 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 investments 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 in 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) the Shareholders' general meeting; (2) the Board and Strategies and Risk Management Committee, Audit Committee and Business Decision Committee thereof; (3) the Board of Supervisors of the Company (the "**Board of Supervisors**"); (4) the General Manager's Office Meeting; (5) the Trust Business Review Committee; (6) the 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 and Proprietary Business Management Department. Finally, all Trust Business Departments of the Company 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 expected, 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 economic slowdown, 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. Since 2020, the global pandemic of COVID-19 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 impact and the uncertainty of future trend 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. There are, however, uncertainties in the Company's ability to effectively respond to changes in general economic and financial market conditions and increase in its innovative business may not be able to offset decrease in its traditional business, and therefore, the trust business will continue to be significantly affected by 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 PBOC, the CBIRC, the China Securities Regulatory Commission ("CSRC") 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. In 2021, the Company realised the clearing of inter-bank channel business and achieved the pressure drop index of financing business in accordance with the regulatory policy requirements. 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 those 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 its 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 optimisation 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, and 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 PBOC. 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 financing service 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 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 in full swing.

#### ***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 intelligent risk control system independently designed and developed by the Company was put into use. With index system, rules and models as the engine, the intelligent risk control system established an efficient, unified and reliable risk control data platform, and realized online measurement and independent rating of some trust businesses, effectively improving 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 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. 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 reserve and financial assets that could be readily convertible into cash. As at 31 December 2021, the Group's current liabilities exceeded its current assets by RMB2,305.3 million. Having considered the cash flows from operations and sources of finance, the Directors consider that the Group will have sufficient working capital to maintain operations for the twelve-month period following 31 December 2021 and repay its debts as they fall due. 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 annual 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 macroeconomic 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 Officer who was responsible for legal and compliance matters as the vice chairperson of the group, and the heads of other relevant departments as members of the group. There is an anti-money laundering office under the Anti-Money Laundering Working Group, consisting of the heads of the Trust Finance Department (Operation Centre), Finance Management Department, Risk Control Department, Legal & Compliance Department, Wealth Management Business Division, Office, Office of Discipline Inspection (Audit Audit Department) and Human Resources Department (Party and Mass Work 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 PBOC 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 the 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" 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 31 December 2021, the Company's net capital was approximately RMB8.446 billion, which is not less than RMB200 million; the total risk-based capital was approximately RMB3.288 billion; the ratio of net capital to total risk-based capital was 256.85%, which is not lower than 100%; and the ratio of net capital to net asset was 79.82%, which is not lower than 40%.

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

As at 31 December 2021, the Group's current liabilities exceeded its current assets by RMB2,305.3 million, with current assets of RMB5,509.5 million and current liabilities of RMB7,814.8 million. As at 31 December 2021, the Group had cash and bank balances totaling RMB1,586.6 million. As at 31 December 2021, the Group's current liabilities included RMB4,717.1 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 maintain operations for the twelve-month period following 31 December 2021 and repay its debts as they fall due. Accordingly, the audited consolidated financial statements have been prepared on a going concern basis. For relevant details, please refer to the section headed "11. Notes to Consolidated Financial Statements – 2 Basis of Preparation" of this annual results announcement.

### **3.7 Future Prospect**

In the coming period, the COVID-19 pandemic will still be a major uncertain factor affecting the global economic recovery. Supply bottlenecks and energy shortages may cause overseas production and consumption to be blocked and inflation to last longer. It is difficult for global economic activities to return to normal in the short term, and the recovery momentum will slow down; meanwhile, the monetary policies of major developed economies have begun to adjust, so we shall pay close attention to the possible financial market shocks and spillover effects on emerging economies. The recovery and development of domestic economy encounter triple pressure of demand contraction, supply shock and expected weakening. It is necessary to make steady progress while maintaining stability, strengthen cross-cycle regulation and support high-quality economic development. China is a tremendous economic entity with strong resilience and unchanged long-term economic fundamentals. The characteristics of great development potential and broad room for maneuver are obvious, and the market players are full of vitality.



With the continuous expansion of middle-income groups in China and the continuous accumulation of residents' wealth, the wealth management needs of high-net-worth individuals are increasing day by day, and the development prospect and business space of trust companies are very broad. The trust industry will actively implement national policies, serve the real economy as the guide, continuously optimise and improve the multi-level and wide-coverage business system suitable for the real economic structure, social financing needs and wealth management needs, reshape the new advantages and capabilities of the trust industry development, and promote the high-quality development of the industry to achieve new results.

Guided by the "14th Five-Year Plan", SITC will firmly transform under the guidance of supervision, actively grasp the new opportunities of capital market development, optimise and improve the traditional business model, make every effort to build an "allocation-oriented" wealth management system, accelerate the promotion of differentiated asset management capabilities, continuously expand the practice of green trust business, actively promote common prosperity, provide high-quality financial services for the development of the real economy and the better life of the people, and become a respected professional wealth management institution based on asset allocation.

### **3.8 Key Tasks for 2022**

In 2022, the Company firmly hold The general requirements of "making steady progress while maintaining stability", comply with the regulatory orientation and market needs, take the chance of deeply carrying out the activity of "The Year of Refine Management Improvement", coordinate pandemic prevention and control, reform and development and risk control, and comprehensively enable the organizational system more scientization, business processes more systematization and rules and regulations more standardization, so as to achieve high-quality development.

**Firstly, focusing on transformation and innovation of the main business, accelerating the promotion of both standard and non-standard products.**

The Company will strengthen the market-oriented reform, focus on the improving the quality of the main business, promote the transformation of business structure to pay, equal emphasis on financing and investment, as well as non-standard and standard products, and strive to improve professional investment capabilities and standard products allocation levels; actively carry out customized business for institutions, consolidate and enhance the competitive advantages of family trust and inclusive finance; focus on key businesses such as cash management, bond investment, portfolio investment and asset securitization, strengthen the construction of investment and research capacity, further broaden cooperation channels, continue to expand business scale and effectively improve market competitiveness.

**Secondly, based on the transformation of wealth management, giving full play to the advantages of the core license of account management.**

We will focus on the three strategies of “individual + institution”, “standard + non-standard” and “online + offline” to promote the transformation of the Company’s wealth management; vigorously expand the business of institutional customers and expand the consignment channels of financial institutions; adhere to the implementation of the national exhibition industry layout and the market-oriented and professional development of the financial planners, continue to strengthen the construction of the Company’s wealth network, and comprehensively improve the exhibition industry ability and marketing strength; promote the serialisation of products and the branding of wealth management in an orderly manner, strive to build a one-stop customer self-service platform online, create outlets with excellent customer experience, so as to improve the popularity and influence of wealth brands.

**Thirdly, actively implementing the mission of financial state-owned enterprises and continuing to serve the development of the real economy.**

We will actively respond to the requirements of the state and regulatory policies, unswervingly fulfill the responsibilities of state-owned enterprises, based on our own resource endowment, play comparative advantages, and support the development of the real economy with multiple measures. We will fully connect financial institutions and enterprise customers, comprehensively mobilize multi-party resources, focus on key areas such as new infrastructure, strategic emerging industries, green finance and small, medium and micro enterprises, and help enterprises broaden financing channels and reduce financing costs through loans, debt investment, equity investment and industrial funds.

**Fourthly, continuing improving financial technology capabilities and helping business transformation.**

We will focus on building a service-oriented technology model based on capability improvement and driven by the integration of steady-state and agile, reconstruct the IT system architecture, and complete the construction of standard asset management system, asset securitization system and family trust system. We will continue to optimize the function of wealth APP, realize the mobile exhibition industry of family trust, and promote the implementation of upgraded versions of comprehensive management platform, registration and transfer system and data center, so as to provide solid support for the transformation and development of the Company.



**Fifthly, comprehensively improving the level of refined management to prevent and resolve major risks.** We will take the “Year of Refined Management Improvement” as an opportunity, and continue to optimise and upgrade the organizational structure and human resources system following the idea of “specialisation of the headquarters and integration of different places”; taking the work process and job responsibilities as the starting point, we will improve and perfect the Company’s various systems, processes and systems, break through development bottlenecks, consolidate management foundations, and fully release reform dividends. We will fully implement the risk management culture of “comprehensive, full-staff, and whole-process”, and improve the comprehensive risk management system based on the “four lines of defense” of business development, risk compliance, auditing, and discipline inspection and supervision; consolidate risks to resolve the main responsibility, and take multiple measures to increase the disposal of risky projects.

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

The Company’s profits for the year ended 31 December 2021 are set out in the section headed “3.Management Discussion and Analysis – 3.3 Financial Overview” in this results announcement.

The Company will not declare the final dividend for the year 2021.

## 5. DIRECTORS (THE “DIRECTORS”), SUPERVISORS (THE “SUPERVISORS”) AND SENIOR MANAGEMENT OF THE COMPANY

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

Members of the Board of Directors include Mr. Wan Zhong (chairperson) and Mr. Fang Hao as executive Directors; Mr. Wang Zengye (vice-chairperson), Mr. Zhao Zikun 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, Ms. Wang Zhimei as shareholder representative Supervisors; Ms. Li Yan, Mr. Zuo Hui and Mr. Zhang Wenbin as employee representative Supervisors; Ms. Wang Yan as external Supervisor.

Members of the senior management of the Company include Mr. Fang Hao as the general manager; Ms. Zhou Jianqu as the vice general manager; Mr. He Chuangye as the vice general manager, the secretary to the Board and the company secretary; Mr. Wang Ping as the chief financial officer; Mr. Niu Xucheng as the vice general manager; Mr. Tian Zhiguo as the chief risk officer; Mr. Sun Botao and Mr. Cui Fang as assistants to general manager.

During the Reporting Period and up to the date of this results announcement, the changes in the Directors, Supervisors and senior management of the Company are as follows:

### Changes of Directors

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 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 at the 2021 first extraordinary general meeting of the Company 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 2020 annual general meeting of the Company (the “**2020 AGM**”) held on 29 June 2021. Mr. Xiao Hua and Mr. Jin Tongshui will not be re-elected as non-executive Directors of the third session of the Board of Directors due to the expiration of their term of office. Mr. Yen Huai-chiang will not be re-elected as an independent non-executive Director of the third session of the Board of Directors due to the expiration of his term of office. Qualifications of Mr. Wang Zengye, Mr. Zhao Zikun and Ms. Li Jie are subject to the approval of the Shandong Office of CBIRC. Before the newly elected Directors officially take office upon fulfilling relevant procedures in accordance with laws, Mr. Xiao Hua, Mr. Jin Tongshui and Mr. Yen Huai-chiang continue to perform their duties as Directors until the relevant Directors of the third session of the Board of Directors obtain approval of their qualifications by the Shandong Office of CBIRC, so as to ensure the structure of the Board of Directors is in compliance with relevant laws and regulations as well as the requirements of the articles of association of the Company (the “**Articles of Association**”). The qualifications of Mr. Zhao Zikun and Mr. Wang Zengye as non-executive Directors were approved by the Shandong Office of CBIRC on 15 October 2021 and 15 November 2021, respectively.

Upon the recommendation of the Board at Directors, Mr. Zheng Wei has been elected as an independent non-executive Director at the 2022 first extraordinary general meeting of the Company held on 30 March 2022. The qualification of Mr. Zheng as an independent non-executive Director is subject to the approval of Shandong Office of CBIRC.

### **Changes of Supervisors**

Ms. Wang Yan was appointed as an external Supervisor of the third session of the Board of Supervisors at the 2020 AGM. Ms. Wang’s appointment as an external Supervisor shall be effective subject to the approval of the provisions of appointing external Supervisors in the proposed amendments to the Articles of Association, 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. The appointment of as Ms. Wang an external Supervisor took effect on 14 October 2021.

Mr. Tian Zhiguo tendered his resignation as an employee representative Supervisor on 7 January 2022 due to work adjustment. Ms. Li Yan was elected as an employee representative Supervisor at the employee representative meeting of the Company held on 7 January 2022. The term of office of Ms. Li shall be the same as the term of office of the third session of the Board of Supervisors, commencing from 7 January 2022.

### **Changes of Senior Management**

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 officer of the Company due to work adjustments. The Board of Directors engaged Mr. Tian Zhiguo as the chief risk officer of the Company on the same day. Prior to Mr. Tian Zhiguo's qualification being approved by the Shandong Office of CBIRC, Mr. Fang Hao, the general manager of the Company, was temporarily in charge of the relevant work of the chief risk officer. The qualification of Mr. Tian Zhiguo was approved by the Shandong Office of CBIRC on 29 November 2021.

The Company held a meeting of the Board of Directors on 26 August 2021, considered and approved the Resolution on Appointment of Deputy General Manager of the Company, and agreed to appoint Mr. Qi Guanyi as a vice general manager of the Company. The qualification of Mr. Tian Zhiguo is subject to the approval of the Shandong Office of CBIRC.

The Company held a meeting of the Board of Directors on 9 October 2021, considered and approved the Resolution on Appointment of the Secretary to the Board of the Company, and agreed to appoint Mr. Lin Guanwei as the Secretary to the Board. The qualification of Mr. Lin Guanwei is subject to the approval of the Shandong Office of CBIRC. Prior to this, Mr. He Chuangye, secretary to the Board, continued to perform the duties of secretary to the Board.

The Company held a meeting of the Board of Directors on 9 September 2021, considered and approved the Resolution on Appointment of Assistant to General Manager of the Company, and agreed to appoint Mr. Sun Botao and Mr. Cui Fang as the assistant to general manager of the Company. The qualifications of Mr. Sun Botao and Mr. Cui Fang were approved by the Shandong Office of CBIRC on 29 November 2021 and 26 January 2022, respectively.

The Board of Directors fully recognised the significant contributions made by Mr. Yue Zengguang, Mr. Xiao Hua, Mr. Jin Tongshui 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 (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 practices in order to ensure compliance with the Corporate Governance Code.

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the code of conduct for its Directors and Supervisors in conducting securities transactions. Upon specific enquiries made by the Company to all of the Directors and Supervisors, each of the Directors and Supervisors has confirmed that they had complied with the required standard as set out in the Model Code during the Reporting Period.

During the Reporting Period, the Company has also adopted its own code of conduct regarding employees' securities transactions on terms no less exacting the standards as set out in the Model Code for the compliance by its relevant employees who are likely to be in possession of unpublished inside information of the Company in respect of their dealings in the Company's securities.

## 8. PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S 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 Shareholding of Shareholders

On 3 September 2020, the Company received a notice from Shandong Lucion Investment Holdings Group Co., Ltd. ("**Lucion Group**") that Shandong High-Tech Venture Capital Co., Ltd. ("**Shandong High-Tech Investment**"), a wholly-owned subsidiary of Lucion Venture Capital Group Co., Ltd. ("**Lucion Venture Capital**") intended to transfer all of its direct shareholding of 4.83% equity interest in the Company, being a total of 225,000,000 domestic shares, to Lucion Group by way of non-public agreement at a transfer price of RMB2.1614 per share, with the total transfer price of RMB486,315,000 (the "**Proposed Equity Transfer**").

The Proposed Equity Transfer will be conducted in accordance with the Measures for the Supervision and Administration of State-Owned Shares of Listed Companies (《上市公司國有股權監督管理辦法》) jointly promulgated by the State-owned Assets Supervision and Administration Commission of the State Council of the PRC, the Ministry of Finance of the PRC and the CSRC. As at 3 September 2020, Lucion Group holds 69.57% equity interest in Lucion Venture Capital. Lucion Venture Capital and Shandong High-Tech Investment are non wholly-owned subsidiaries directly and indirectly held by Lucion Group, respectively. As Lucion Venture Capital is a company listed on the Shanghai Stock Exchange, the Proposed Equity Transfer involves related party transaction, which shall be subject to the applicable laws and regulations of the PRC and consideration and approval at the general meeting of Lucion Venture Capital, and submission to the relevant regulatory authorities including the CBIRC for review and approval. The Company has received a notice from Lucion Group in November 2021 that Lucion Venture Capital and Lucion Group had decided to terminate the Proposed Equity Transfer as the relevant conditions of the Proposed Equity Transfer were yet to be available.



## 9.2 Process of 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 special committees under the Board of Directors, the Company carried out optimisation and adjustment to certain committees under the Board of Directors, particularly: (1) the consolidation of “Human Resources and Nomination Committee” and “Remuneration Committee” into “Nomination and Remuneration Committee”; and (2) the addition of compliance management duties to the Strategies and Risk Management Committee (戰略與風控委員會), which will be renamed as “Strategies and Risk Management Committee” (戰略與風險管理委員會) (English name remains the same). 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 provisions 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 have been considered and approved by the shareholders at the 2020 AGM, and became effective upon approval by the Shandong Office of CBIRC on 14 October 2021. 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 have been considered and approved by the shareholders at the 2020 AGM, and became effective upon approval by the Shandong Office of CBIRC on 14 October 2021.

Save for the above, during the Reporting Period and as at the date of this annual results announcement, there was no material change in the Articles of Association. The text of the Articles of Association is available on the website of the Company and The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”).

### **9.3 Potential Disposal through Public Tender Procedures**

The Company proposed to dispose 16.675% equity of Fullgoal Fund Management Co., Ltd. (“**Equity Interest in Fullgoal Fund**”) and all the debts under certain collective fund trust scheme (the “**Debts**”) (collectively referred to as “**Potential Disposal**”) held by the Company through public tender transfer in Shandong Financial Assets Trade Center Co. Ltd. The initial listed prices of Equity Interest in Fullgoal Fund and the Debts are set based on the appraised value. The Company will initiate public tender procedures for the Potential Disposal, and prospective purchasers shall submit purchase applications during the listed-for-sale period in accordance with relevant regulations. Upon completion of the listed-for-sale period, the qualified purchaser who provides the highest effective quotation will be the transferee. As at the date of this annual results announcement, the Company has not entered into any binding agreement on the Potential Disposal.

### **9.4 Material Legal Proceedings and Arbitration**

As at 31 December 2021, the Company, being the plaintiff and applicant, was involved in 10 pending material litigations or arbitration cases involving an amount of more than RMB10 million; the value of litigations and arbitration cases in which we were involved totaled approximately RMB5,173.16 million. 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.

As at 31 December 2021, the Company, being the defendant and respondents, was not involved in pending material litigations or arbitration cases.

### **9.5 Material Assets Acquisition, Sale and Merger**

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



## **9.6 Penalties Imposed on the Company and Directors, Supervisors, Senior Management**

On 29 December 2021, the Shandong Office of CBIRC issued the “Administrative Penalty Decision” (Lu Yin Bao Jian Fa Jue Zi [2021] No.69) to the Company to impose a fine of RMB350,000 for illegal provision of real estate financing. As at the date of this annual results announcement, the Company has paid the above fines.

Save as disclosed above, during the Reporting Period, no penalty was imposed on the Company and the Directors, Supervisors, senior management.

## **9.7 Provisional Report on Material Issues**

During the Reporting Period, no provisional report in connection with material issues was made by the Company.

## **9.8 Important Information which the CBIRC and Its Provincial Offices Considered Necessary to Inform Clients and Stakeholders**

Save as disclosed in this results announcement, for the year ended 31 December 2021, the Company did not have other important information which the CBIRC and its provincial authorities considered necessary to inform clients and stakeholders.

## **9.9 Rectification Opinion Issued by the CBIRC and its Local Offices upon Inspection of the Company**

In April, July and September 2021, the Shandong Office of CBIRC conducted on-site investigations of the business of the Company in the first, second and third quarters, and the Company actively cooperated with the Shandong Office of CBIRC to complete the inspection work.

In 2021, the Company received a total of 16 Off-site Supervision Opinions issued by the Shandong Office of CBIRC, concerning the pressure drop of channel business, risk investigation of existing business, collateral management and other aspects. The Company actively carried out rectification work in accordance with regulatory requirements, and the relevant reports or rectification plans have been submitted to the Shandong Office of CBIRC in a timely manner.

In 2021, the Shandong Office of CBIRC issued four “Regulatory Inquiries” to the Company, and the Company has timely submitted letters of representation, investigation results and rectification plan in accordance with the regulatory requirements.

Save as disclosed in this results announcement, the Company had no significant events after the Reporting Period.

## 10. EXTRACT OF ANNUAL FINANCIAL STATEMENTS

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

The accompanying notes form a part of these consolidated financial statements.

### 10.1 Consolidated Statement of Profit or Loss and Other Comprehensive Income

		<b>Year ended 31 December</b>	
	<i>Notes</i>	<b>2021</b>	<b>2020</b>
Fee and commission income	11.4	<b>829,727</b>	1,152,419
Interest income	11.5	<b>540,793</b>	716,614
Net changes in fair value on financial assets at fair value through profit or loss and investments in associates measured at fair value	11.6	<b>(206,893)</b>	126,561
Investment income	11.7	<b>272,877</b>	146,181
Net gains on disposal of associates		<b>333,949</b>	109,920
Other operating income		<b>8,243</b>	53,935
<b>Total operating income</b>		<b>1,778,696</b>	2,305,630
Interest expenses	11.8	<b>(552,096)</b>	(620,516)
Staff costs (including directors and supervisors' emoluments)	11.9	<b>(144,038)</b>	(139,254)
Depreciation and amortisation		<b>(16,490)</b>	(13,588)
Change in net assets attributable to other beneficiaries of consolidated structured entities		<b>(151,455)</b>	(16,575)
Tax and surcharges		<b>(12,701)</b>	(11,317)
Administrative expenses		<b>(93,251)</b>	(78,998)
Auditor's remuneration		<b>(1,415)</b>	(1,972)
Impairment losses on financial assets, net of reversal	11.10	<b>(823,432)</b>	(1,058,799)
Impairment losses on other assets		<b>–</b>	(514)
<b>Total operating expenses</b>		<b>(1,794,878)</b>	(1,941,533)

		<b>Year ended 31 December</b>	
	<i>Notes</i>	<b>2021</b>	<b>2020</b>
<b>Operating (loss)/profit</b>		<b>(16,182)</b>	<b>364,097</b>
Share of results of investments in associates accounted for using the equity accounting method		<u><b>481,324</b></u>	<u>368,874</u>
<b>Profit before income tax</b>		<b>465,142</b>	<b>732,971</b>
Income tax credit/(expense)	11.11	<u><b>3,377</b></u>	<u>(105,153)</u>
<b>Net profit attributable to shareholders of the Company</b>		<u><u><b>468,519</b></u></u>	<u><u>627,818</u></u>
<b>Other comprehensive income/ (expense)</b>			
<i><b>Item that may be reclassified subsequently to profit or loss:</b></i>			
Share of other comprehensive income/(expense) from investments accounted for using the equity accounting method		<u><b>7,575</b></u>	<u>(6,870)</u>
<b>Total other comprehensive income/ (expense), net of tax</b>		<b>7,575</b>	<b>(6,870)</b>
<b>Total comprehensive income attributable to shareholders of the Company</b>		<u><u><b>476,094</b></u></u>	<u><u>620,948</u></u>
<b>Basic and diluted earnings per share attributable to the shareholders of the Company</b>			
<i>(in RMB yuan)</i>	11.12	<u><u><b>0.10</b></u></u>	<u><u>0.13</u></u>

## 10.2 Consolidated Statement of Financial Position

		31 December	
	Notes	2021	2020
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment		121,933	122,135
Investment properties		141,374	145,139
Right-of-use assets		11,980	680
Intangible assets		24,318	13,672
Investments in associates	11.13	2,072,304	3,242,780
Financial assets at fair value through profit or loss	11.16	1,427,659	679,519
Loans to customers	11.14	8,214,294	9,641,926
Financial investments-amortised cost		887,634	50,288
Advance payments		15,434	20,097
Deferred income tax assets		617,708	315,759
Other non-current assets		18,331	188,932
<b>Total non-current assets</b>		<b>13,552,969</b>	<b>14,420,927</b>
<b>Current assets</b>			
Cash and bank balances	11.15	1,586,596	969,535
Financial assets at fair value through profit or loss	11.16	1,736,800	1,556,937
Financial assets purchased under resale agreements		697,607	107,147
Loans to customers	11.14	1,172,586	3,105,648
Trustee's remuneration receivable		200,148	165,875
Advanced payments		7,000	–
Other current assets		108,841	357,752
<b>Total current assets</b>		<b>5,509,578</b>	<b>6,262,894</b>
<b>Total assets</b>		<b>19,062,547</b>	<b>20,683,821</b>

		<b>31 December</b>	
	<i>Notes</i>	<b>2021</b>	2020
<b>Equity and liabilities</b>			
Share capital	11.17	<b>4,658,850</b>	4,658,850
Capital reserve	11.17	<b>143,285</b>	143,285
Statutory surplus reserve		<b>952,314</b>	903,941
Statutory general reserve		<b>1,141,068</b>	892,695
Other reserves		<b>(160)</b>	(7,735)
Retained earnings		<b>3,755,861</b>	3,584,088
		<hr/>	<hr/>
<b>Total equity</b>		<b>10,651,218</b>	10,175,124
		<hr/>	<hr/>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Salary and welfare payable		<b>21,551</b>	24,157
Lease liabilities		<b>7,090</b>	122
Net assets attributable to other beneficiaries of consolidated structured entities	11.19	<b>567,839</b>	1,417,461
		<hr/>	<hr/>
<b>Total non-current liabilities</b>		<b>596,480</b>	1,441,740
		<hr/>	<hr/>
<b>Current liabilities</b>			
Short-term borrowings	11.20	<b>1,604,227</b>	100,000
Lease liabilities		<b>4,320</b>	573
Salary and welfare payable		<b>94,450</b>	85,876
Net assets attributable to other beneficiaries of consolidated structured entities	11.19	<b>4,717,136</b>	8,042,296
Income tax payable		<b>99,756</b>	31
Other current liabilities		<b>1,294,960</b>	838,181
		<hr/>	<hr/>
<b>Total current liabilities</b>		<b>7,814,849</b>	9,066,957
		<hr/>	<hr/>
<b>Total liabilities</b>		<b>8,411,329</b>	10,508,697
		<hr/>	<hr/>
<b>Net current liabilities</b>		<b>(2,305,271)</b>	(2,804,063)
		<hr/>	<hr/>
<b>Total equity and liabilities</b>		<b>19,062,547</b>	20,683,821
		<hr/>	<hr/>

## 11. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

### 1 General

Shandong International Trust Co., Ltd. (“**SITC**” 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 (the “**Stock Exchange**”) on the same day.

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 31 December 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 subsidiaries (including consolidated structured entities) are collectively referred to as the (“**Group**”).

The consolidated financial statements are presented in Renminbi (“**RMB**”), which is also the functional currency of the Group and its subsidiaries. All amounts in the consolidated financial statements are expressed in thousands of RMB unless otherwise stated.

The English names of certain the companies established in the PRC presented in these consolidated financial statements represent the best efforts made by the directors of the Company for the translation of the Chinese names of these companies to English names as they do not have official English names.

## **2 Basis of Preparation**

### ***(a) Compliance with International Financial Reporting Standards (“IFRSs”) and Hong Kong Companies Ordinance***

The consolidated financial statements of the Group have been prepared in accordance with all the applicable IFRSs issued by International Accounting Standards Board (“IASB”) and disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and the Hong Kong Companies Ordinance (Cap.622).

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss and investments in associates which are measured at fair value.

The preparation of consolidated financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

### ***(b) Going concern basis***

As at 31 December 2021, the Group’s current liabilities exceeded its current assets by RMB 2,305 million (2020: RMB 2,804 million). In addition, as at 31 December 2021, the Group’s capital commitments contracted but not provided were of approximately RMB 3 million (2020: RMB 12 million).



The above conditions may 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 will continue to explore with other third-party financial institutions, where necessary, the refinancing of trust schemes managed and/or invested by the Group; and
- b. Under the "Interim Measures for the Administration of Stock Rights of Trust Companies" promulgated 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 provide necessary financial support upon the request of the Company in the event of 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 eighteen months from 31 December 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 and/or provision of direct financing to the Company.

The directors of the Company have reviewed the Group's cash flow projections prepared by management of the Company, which cover a period of not less than twelve months from 31 December 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 financial resources to finance its operations and to meet its financial obligations as and when they fall due within twelve months from 31 December 2021. Accordingly, the directors of the Company are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis. The consolidated financial statements do not include any adjustments relating to the carrying amounts and reclassification of assets and liabilities that might be necessary should the Group be unable to continue as a going concern.

### **3 Application of New and Amendments to International Financial Reporting Standards**

In the current year, the Group has applied, the following amendments to IFRSs issued by the IASB for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

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

The directors of the Company consider that the application of the amendments to IFRSs in the current year 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 consolidated financial statements.

### ***New and amendments to IFRSs issued but not yet effective***

The Group has not early applied the following new and amendments IFRSs that have been issued but are not yet effective:

IFRS 17	Insurance Contracts and related Amendments <sup>3</sup>
Amendments to IFRS 3	Reference to Conceptual Framework <sup>2</sup>
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>4</sup>
Amendments to IFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021 <sup>1</sup>
Amendments to IAS 1	Classification of Liabilities as Current or Non-current <sup>3</sup>
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies <sup>3</sup>
Amendments to IAS 8	Definition of Accounting Estimates <sup>3</sup>
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>3</sup>
Amendments to IAS 16	Property, plant and equipment: Proceeds before Intended Use <sup>2</sup>
Amendments to IAS 37	Onerous Contracts - Cost of Fulfilling a Contract <sup>2</sup>
Amendment to IFRSs	Annual improvement to IFRSs 2018 - 2020 cycle <sup>2</sup>
Initial Application of IFRS 17 and IFRS 9	Comparative Information (Amendment to IFRS 17) <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 April 2021.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2022.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2023.

<sup>4</sup> Effective for annual periods beginning on or after a date to be determined.

The directors of the Company anticipate that the application of the new and amendments to IFRSs will have no material impact on the results and the financial position of the Group.

#### 4 Fee and Commission Income

	Year ended 31 December	
	2021	2020
<b>Fee and commission income from:</b>		
Trustee's remuneration	829,727	1,152,151
Others	—	268
	<u>          </u>	<u>          </u>
Total	<b>829,727</b>	<b>1,152,419</b>
	<u><u>          </u></u>	<u><u>          </u></u>

#### 5 Interest Income

	Year ended 31 December	
	2021	2020
<b>Interest income from:</b>		
Cash and bank balances	6,704	4,131
Loans to customers	519,747	695,899
Financial investments - amortised cost	112	6,226
Financial assets purchased under resale agreements	13,167	6,326
Contribution to Trust Industry Protection Fund ( <i>note (i) below</i> )	1,063	4,032
	<u>          </u>	<u>          </u>
Total	<b>540,793</b>	<b>716,614</b>
	<u><u>          </u></u>	<u><u>          </u></u>

*Note:*

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

**6 Net Changes in Fair Value on Financial Assets at Fair Value Through Profit Or Loss and Investments in Associates Measured at Fair Value**

	<b>Year ended 31 December</b>	
	<b>2021</b>	<b>2020</b>
<b>Net changes in fair value arising from:</b>		
Financial assets at fair value through profit or loss		
– Mutual funds	(153,494)	152,775
– Trust schemes	19,571	(20,971)
– Unlisted companies	(20,648)	20,424
– Listed shares	(23,357)	20,422
– Bonds	44,758	(78,337)
– Other asset management products	5,348	9,782
	(127,822)	104,095
Investments in associates	(79,071)	22,466
Total	<b>(206,893)</b>	<b>126,561</b>

**7 Investment Income**

	<b>Year ended 31 December</b>	
	<b>2021</b>	<b>2020</b>
<b>Dividends income from:</b>		
Financial assets at fair value through profit or loss	59,841	6,768
<b>Net realised gains from disposal of:</b>		
Financial assets at fair value through profit or loss	213,036	139,413
Total	<b>272,877</b>	<b>146,181</b>

## 8 Interest Expenses

	Year ended 31 December	
	2021	2020
Interest accrued on borrowings from China Trust Protection Fund Co., Ltd.	<b>80,770</b>	14,017
Interest for placement from banks	–	80
Third-party beneficiaries' interests (note (i) below)	<b>471,180</b>	606,370
Others	<b>146</b>	49
	<hr/>	<hr/>
Total	<b>552,096</b>	620,516
	<hr/> <hr/>	<hr/> <hr/>

*Note:*

- (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 consolidated statement of financial position in accordance with the Company's accounting policy.

## 9 Staff Costs (Including Directors and Supervisors' Emoluments)

	Year ended 31 December	
	2021	2020
Salaries and bonuses	<b>105,967</b>	110,642
Pension costs (defined contribution plans)	<b>13,408</b>	7,068
Housing funds	<b>7,089</b>	6,276
Labour union fee and staff education expenses	<b>2,561</b>	2,997
Other social security and benefit costs	<b>15,013</b>	12,271
	<hr/>	<hr/>
Total	<b>144,038</b>	139,254
	<hr/> <hr/>	<hr/> <hr/>

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

	Year ended 31 December	
	2021	2020
Loans to customers	650,231	1,075,066
Financial investments - amortised cost	187,471	(95)
Trustee's remuneration receivable	(10,739)	(626)
Others	(3,531)	(15,546)
	<u>          </u>	<u>          </u>
Total	<u><u>823,432</u></u>	<u><u>1,058,799</u></u>

## 11 Income Tax (Credit)/Expense

	Year ended 31 December	
	2021	2020
Current income tax	298,572	190,802
Deferred income tax	(301,949)	(85,649)
	<u>          </u>	<u>          </u>
Total	<u><u>(3,377)</u></u>	<u><u>105,153</u></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 actual income tax (credit)/expense (credited)/charged in the profit or loss can be reconciled to the profit before income tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	Year ended 31 December	
	2021	2020
Profit before income tax	<u><u>465,142</u></u>	<u><u>732,971</u></u>
Tax calculated at a tax rate of 25%	116,286	183,242
Tax effect arising from income not subject to tax ( <i>note (i) below</i> )	(120,388)	(80,079)
Tax effect of expenses that are not deductible for tax purposes	<u>725</u>	<u>1,990</u>
Income tax (credit) expense	<u><u>(3,377)</u></u>	<u><u>105,153</u></u>

*Note:*

- (i) The income not subject to tax mainly represents the share of results from investments in associates which are accounted for using equity accounting method.

## 12 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 both years.

	Year ended 31 December	
	2021	2020
Net profit attributable to shareholders of the Company	468,519	627,818
Weighted average number of ordinary shares in issue ('000)	<u>4,658,850</u>	<u>4,658,850</u>
Basic earnings per share (RMB yuan)	<u><u>0.10</u></u>	<u><u>0.13</u></u>

### (b) *Diluted earnings per share*

For the years ended 31 December 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.



### 13 Investments in Associates

The amounts recognised in the consolidated balance sheet are as follows:

	<b>31 December</b>	
	<b>2021</b>	2020
<b>Associates of the Company, measured at equity accounting method:</b>		
Fullgoal Fund Management Co., Ltd.	<b>1,174,603</b>	869,824
Taishan Property & Casualty Insurance Co., Ltd.	<b>199,435</b>	215,101
Sintruk Auto Finance Co., Ltd. (formerly known as Shandong HOWO Auto Finance Co., Ltd.)	<b>209,241</b>	207,775
Shandong LuXin Xinjiu Kinetic Energy Conversion Venture Capital Parent Fund (limited partnership)	–	148,739
Dezhou Bank Co., Ltd.	<b>119,333</b>	110,344
First-Trust Fund Management Co., Ltd.	–	52,410
Tailong Health Industry Investment Company Limited	–	35,626
Anhui Luxin Equity Investment Fund Management Co., Ltd.	<b>3,090</b>	2,884
	<hr/>	<hr/>
<b>Gross amount</b>	<b>1,705,702</b>	1,642,703
Less: Impairment	–	–
	<hr/>	<hr/>
<b>Subtotal</b>	<b>1,705,702</b>	1,642,703
	<hr/> <hr/>	<hr/> <hr/>
<b>Associates indirectly held by the Group through consolidated structured entities, measured at equity accounting method:</b>		
Shandong Provincial Financial Asset Management Co., Ltd.	–	674,489
Others	<b>19,284</b>	71,859
	<hr/>	<hr/>
<b>Gross amount</b>	<b>19,284</b>	746,348
Less: Impairment	<b>(2,000)</b>	(10,000)
	<hr/>	<hr/>
<b>Subtotal</b>	<b>17,284</b>	736,348
	<hr/> <hr/>	<hr/> <hr/>

	<b>31 December</b>	
	<b>2021</b>	2020
<b>Associates indirectly held by the Group through consolidated structured entitles, measured at fair value</b>		
Tengzhou Haide Park Property Co., Ltd.	–	151,210
Huizhou Zhengfeng Industrial Investment Co., Ltd	–	120,000
Cangzhou Liangsheng Property Co., Ltd.	–	111,088
Nanyang Liangheng Real Estate Co., Ltd.	<b>88,849</b>	82,320
Tianjin Liangxin Property Development Co., Ltd.	–	89,047
Huangshi Liangsheng Real Estate Development Co., Ltd	<b>116,238</b>	94,179
Tianjin Liangshun Property Development Co., Ltd.	–	70,496
Nanyang Zhongliang Chengtong Real Estate Co., Ltd	<b>63,059</b>	49,315
Ankang Liangsheng Jiye Property Co., Ltd	<b>36,424</b>	37,840
Yunan Hongshan City Investment Co., Ltd.	<b>27,928</b>	30,000
Weifang Hengru Real Estate Co., Ltd.	<b>16,820</b>	15,000
Shenzhen Qianhai Run Xin Investment Co., Ltd.	–	13,234
	<hr/>	<hr/>
<b>Subtotal</b>	<b>349,318</b>	863,729
	<hr/>	<hr/>
<b>Total</b>	<b>2,072,304</b>	3,242,780
	<hr/> <hr/>	<hr/> <hr/>

## 14 Loans to Customers

### (a) Analysis of loans to customers

	31 December 2021	2020
Corporate loans - at amortised cost	<b>11,400,623</b>	14,232,249
Including: Issued by the Company	<b>2,000,000</b>	993,950
Issued by consolidated structured entities	<b>9,400,623</b>	13,238,299
Interest receivable	<u><b>193,609</b></u>	<u>72,446</u>
Loans to customer, gross	<b>11,594,232</b>	14,304,695
Less: ECL allowance - Loans	<b>(2,057,573)</b>	(1,555,395)
ECL allowance - Interest receivable	<u><b>(149,779)</b></u>	<u>(1,726)</u>
Loans to customers, net	<u><b>9,386,880</b></u>	<u>12,747,574</u>
Presented as:		
Non-current assets	<b>8,214,294</b>	9,641,926
Current assets	<u><b>1,172,586</b></u>	<u>3,105,648</u>
Loans to customers, net	<u><b>9,386,880</b></u>	<u>12,747,574</u>

**(b) Movement of corporate loans**

	Stage 1	Stage 2	Stage 3	Total
<b>Balance as at 1 January 2021</b>	5,514,950	60,000	8,657,299	14,232,249
Additions (note (i) below)	637,000	–	2,131,600	2,768,600
Repayments	(4,540,572)	(60,000)	(999,654)	(5,600,226)
Transfers:	(750,000)	750,000	–	–
<i>Transfer from Stage 1 to Stage 2</i>	(750,000)	750,000	–	–
<b>Balance as at 31 December 2021</b>	<b>861,378</b>	<b>750,000</b>	<b>9,789,245</b>	<b>11,400,623</b>
	Stage 1	Stage 2	Stage 3	Total
<b>Balance as at 1 January 2020</b>	7,463,694	–	1,563,486	9,027,180
Additions (note (i) below)	2,465,450	60,000	7,000,000	9,525,450
Repayments	(3,060,044)	–	(163,238)	(3,223,282)
Disposals (note (ii) below)	–	(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	–
<b>Balance as at 31 December 2020</b>	<b>5,514,950</b>	<b>60,000</b>	<b>8,657,299</b>	<b>14,232,249</b>

**Notes:**

- (i) During the years ended 31 December 2021, the addition of stage 3 corporate loans was a result of the Group acquired the rights of certain loans from trust schemes. During the year ended 31 December 2020, the addition of stage 3 corporate loans was a result of the Group's consolidation of a trust scheme.
- (ii) In December 2020, the Group disposed of certain impaired loans with the principal amount of RMB757,948 thousand, for which 100% ECL allowance had been provided, to Shandong AMC at a total consideration of zero. The Group de-recognised these loans and reversed the corresponding impairment upon disposal of such impaired loans. The Group did not recognise any gain or loss during the year ended 31 December 2020 (2021: nil).

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

	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	Total
<b>Balance as at 1 January 2021</b>	131,120	1,637	1,422,638	1,555,395
Provision for impairment	–	28,206	572,329	600,535
Reversal of impairment allowances	(82,413)	(1,637)	(8,813)	(92,863)
Transfers:	(25,124)	25,124	–	–
<i>Transfer from Stage 1 to Stage 2</i>	(25,124)	25,124	–	–
Exposure at Default (“EAD”), Probability of Default (“PD”) and Loss Given Default (“LGD”) changes (note (i) below)	(5,494)	–	–	(5,494)
<b>Balance as at 31 December 2021</b>	<b>18,089</b>	<b>53,330</b>	<b>1,986,154</b>	<b>2,057,573</b>
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	Total
<b>Balance as at 1 January 2020</b>	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	–
EAD, PD and LGD changes (note (i) below)	17,769	–	–	17,769
<b>Balance as at 31 December 2020</b>	<b>131,120</b>	<b>1,637</b>	<b>1,422,638</b>	<b>1,555,395</b>

*Note:*

- (i) This item includes PD, EAD, LGD changes due to routine updates to model parameters.

## 15 Cash and Bank Balances

### *(a) Cash and bank balances*

	31 December 2021	2020
Cash at banks	286,920	317,728
Other monetary assets	<u>1,299,676</u>	<u>651,807</u>
Total	<u><u>1,586,596</u></u>	<u><u>969,535</u></u>

Other monetary assets represent cash deposited in securities company.

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

	31 December 2021	2020
Cash at banks	286,920	317,728
Other monetary assets	<u>1,299,676</u>	<u>651,807</u>
Total	<u><u>1,586,596</u></u>	<u><u>969,535</u></u>

## 16 Financial Assets at Fair Value Through Profit Or Loss

	31 December 2021	2020
Equity investments		
Listed shares	7,809	90,395
Unlisted entities	1,213,665	289,680
Asset management products ( <i>note (i)</i> <i>below</i> )	194,741	107,077
Mutual funds	1,032,197	618,447
Bonds	388,825	886,168
Investments in trust schemes	213,994	129,436
Investments in Trust Industry Protection Fund ( <i>note (ii) below</i> )	113,228	115,253
Total	<u>3,164,459</u>	<u>2,236,456</u>
Presented as:		
Non-current assets	1,427,659	679,519
Current assets	<u>1,736,800</u>	<u>1,556,937</u>
Financial assets at fair value through profit or loss, net	<u>3,164,459</u>	<u>2,236,456</u>

### Notes:

- (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 CBRC 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 CBRC 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.
- 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.

## 17 Share Capital and Capital Reserve

All of the shares of the Company issued are fully paid common shares. The par value per share is RMB 1 Yuan.

The Company's shares are as follows:

	<b>31 December</b>	
	<b>2021</b>	2020
	<b>'000</b>	'000
Number of shares authorised and issued	<b><u>4,658,850</u></b>	<u>4,658,850</u>
Share capital	<b><u>4,658,850</u></b>	<u>4,658,850</u>

There were no movements of the share capital of the Company for the both years.



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 31 December 2021, the Group's capital reserve is shown as follows:

	<b>31 December 2021</b>	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/>

There were no movements of the capital reserve of the Company for the both years.

## 18 Dividends

	Year ended 31 December	
	2021	2020
Dividend declared during the year	<u>–</u>	<u>256,237</u>

No dividend was paid or proposed during the year ended 31 December 2021, nor has any dividend been proposed since the end of the reporting period (2020: RMB0.055 before tax per ordinary share).

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 China Accountant Standards and IFRSs.

## 19 Net Assets Attributable to Other Beneficiaries of Consolidated Structured Entities

	31 December 2021	2020
Net assets attributable to other beneficiaries of consolidated structured entities	<u>5,284,975</u>	<u>9,459,757</u>
Presented as:		
Non-current liabilities	567,839	1,417,461
Current liabilities	<u>4,717,136</u>	<u>8,042,296</u>
	<u>5,284,975</u>	<u>9,459,757</u>

The amount represents other beneficiaries' share of "net assets of the Company's consolidated structured entities".

## 20 Short-Term Borrowings

	31 December 2021	2020
Borrowings from China Trust Protection Fund Co., Ltd.	<u>1,604,227</u>	<u>100,000</u>

## 21 Event After The Reporting Period

In March 2022, the Company intends to dispose of 16.675% equity interests in Fullgoal Fund Management Co., Ltd. and all the debts under certain collective fund trust scheme by the means of public listing for transfer in Shandong Financial Assets Trade Center Co., Ltd.. Details are set out in the Company's announcement on 30 March 2022.

## **12. THE 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 auditors. The Audit Committee has reviewed the annual results for the year ended 31 December 2021.

## **13. ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021 PUBLISHED ON THE HONG KONG STOCK EXCHANGE'S WEBSITE AND THE COMPANY'S WEBSITE**

The annual results announcement for the year ended 31 December 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 annual report for the year ended 31 December 2021 which contains all information required by the Listing Rules will be distributed to shareholders and published on the Hong Kong Stock Exchange's website and the Company's website in due course.

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

Jinan, the People's Republic of China  
30 March 2022

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