

**LUCION**

**山東省國際信託股份有限公司**

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

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

Stock Code: 1697

**2022**

INTERIM REPORT



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**SITC IS COMMITTED TO BECOMING A RESPECTED  
PROFESSIONAL INSTITUTION OF WEALTH MANAGEMENT  
BASED ON ASSET ALLOCATION**

## CORPORATE CULTURE

### VISION

Committed to becoming a respected professional wealth management institution based on asset allocation

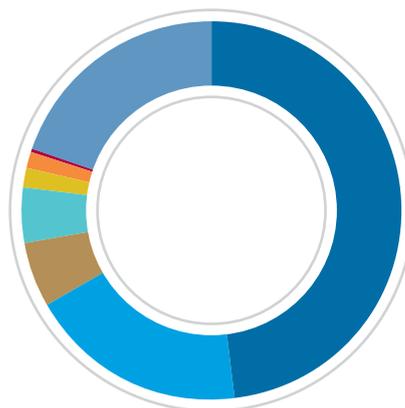
### CORE VALUES

Professionalism, Integrity, Diligence and Accomplishment

### MISSION

To support the real economy, serve people's well-being, and fulfill social responsibilities

## SHAREHOLDING STRUCTURE



● Lucion Group	48.13%
● CNPC Assets Management Co., Ltd.	18.75%
● Jinan Finance Holding Group Co., Ltd.	5.43%
● Shandong High-Tech Venture Capital Co., Ltd.	4.83%
● Shandong Gold Group Co., Ltd.	1.72%
● Weifang Investment Group Co., Ltd.	1.29%
● Jinan Energy Investment Co., Ltd.	0.28%
● Other Public shareholders	19.57%

## DEVELOPMENT HISTORY

1987

Established with the approval of PBOC and the People's Government of Shandong Province

1993

Successfully issued JPY10 billion samurai bonds in Japan

1999

Became one of the first trust companies to fully fulfill overseas repayment obligations on time

2002

Restructured from an enterprise owned by the whole people to a limited liability company

2007

Renamed as "Shandong International Trust Corporation" with the approval of the CBRC

## BUSINESS LINES AND NETWORK LAYOUT

### BUSINESS COVERAGE

CAPITAL MARKET

FAMILY TRUST

REAL ESTATE

INFRASTRUCTURE

INDUSTRIAL AND  
COMMERCIAL ENTERPRISES

CONSUMER  
FINANCE

CHARITABLE  
TRUST

SERVICE TRUST

### SIX REGIONAL CENTRES

DIRECT

NORTH  
CHINA

EAST  
CHINA

SOUTH  
CHINA

CENTRAL  
CHINA

WEST  
CHINA

### WEALTH NETWORK LAYOUT

JINAN ● QINGDAO ● BEIJING ● SHANGHAI

DONGGUAN ● DALIAN ● XI'AN ● JINING ● SHENZHEN

Completed the joint-stock system reform, with the Company changed to a limited liability company as a whole

Registered capital increased to RMB4,658,850,000, with a constantly increasing capital strength

2014

Successfully completed the capital increase and share expansion, with the registered capital increased to RMB2 billion

2015

2017

Listed on the Main Board of the Hong Kong Stock Exchange, achieving a breakthrough in the listing of mainland trust companies in Hong Kong and being the first mainland trust company listed on international capital market and the first trust company listed on the Hong Kong Stock Exchange

2019

# Basic Corporate Information

## COMPANY PROFILE

Shandong International Trust Co., Ltd. (hereinafter referred to as “SITC” or the “Company”), currently a director member of the China Trustee Association, was established as a non-banking financial institution in 1987, with the approval of PBOC and the People’s Government of Shandong Province. Shandong Lucion Investment Holdings Group Co., Ltd., the Controlling Shareholder of SITC, is an important state-owned backbone financial enterprise managed by Shandong Provincial Party Committee, and is also an important investment and financing entity and asset management platform in Shandong Province. Its actual controller is Shandong Provincial Department of Finance, and ultimate controller is the People’s Government of Shandong Province. In December 2017, the H Shares of the Company was listed on the Main Board of the Hong Kong Stock Exchange (stock code: 1697.HK), being the first domestic trust company listed on international capital market.

Since its establishment, SITC has always stood by our role as a trustee, adhered to the development strategy of integration and coordination of its trust business and proprietary business, gave full play to the advantages of the main business of trust, firmly returned to the origin of trust, continued to improve the level of financial technology, utilised various financial instruments such as loans, equity investment, industrial funds and asset securitisation to promote effective interconnection between the monetary market, capital market and the real economy, vigorously supported high-quality economic development and served the people’s better life. At present, the Company formed an all-around and multilevel trust product line covering business of industrial and commercial enterprises, infrastructure, real estate, capital market, inclusive finance, family trusts and charitable trusts. The Company has three business divisions of capital market, wealth management and family trust and six business centres, establishes business and wealth teams in central cities across the country, and constructs the development pattern of “taking root in Shandong, spreading to the whole country and establishing international presence”. Adhering to the purpose of “customer-centred”, the Company actively creates a wealth management system featured in “one body and two wings” and “configuration oriented”, strives to provide personalised and differentiated all-round financial life services for high net worth individual customers, and accurately provides professional and customised products for institutional customers. The Company sets up wealth management centres in Beijing, Shanghai, Jinan, Qingdao, Dongguan, Dalian, Xi’an and other places, forming a national wealth network covering North China, East China, northwest, northeast and South China.

SITC actively implements the mission of state-owned enterprises, resolutely shoulders social responsibility and takes the initiative to fight against the pandemic, serve green development, help poverty alleviation and support public welfare charities. The Company is committed to the responsibility and mission of “gathering capital to develop Shandong”, focused on regional development strategies such as the major replacement of new and old kinetic energy and the three major battles, and effectively guaranteed regional financial supply. The Company attached great importance to the protection of consumers’ rights and interests, regularly carried out investor education and financial knowledge popularisation activities, and continuously improved customer experience, striving to create a harmonious and stable financial consumption environment. The growth of the Company has been recognised and praised by different sectors in the society, and evidenced by numerous awards, such as “Financial Innovation Award of Shandong Province”, “Best Innovative Trust Company”, “Integrity Trust-Innovation Leading Award”, “Most Valuable Financial Stock Company”, “Best Corporate Governance Award” and “Best Information Disclosure Award”, “Shandong Social Responsibility Enterprise”, “3.15 Integrity Financial Brand” and “Shandong Charitable Award – the Most Influential Charity”. The Company was awarded with the honorary title of “Advanced Company Contributing to Financial Development of Shandong Province” by the government of Shandong Province. Also, the Company has been rated “AAA” in the performance evaluation of financial enterprises in Shandong Province for eight consecutive years, and has won the “Class A”(the highest rating attainable) in the national industry wide rating for many time.

SITC excels at seizing opportunities and audaciously meeting challenges. Guided by the “14th Five-Year Plan”, we will actively comply with the regulatory orientation and market demand, stand by our role as a trustee, firmly return to the origin of trust, bravely undertake the mission of “supporting the real economy, serving the people’s well-being and practicing social responsibility”, strive to become a respected wealth management institution based on asset allocation, and create greater values for Shareholders, customers, employees and other stakeholders.

*Where there is any inconsistency between the Chinese version and the English version of this interim report (except for the report on review of interim financial information and the unaudited interim condensed consolidated financial statements), the Chinese version shall prevail.*

## CORPORATE 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>Secretary to the Board of Directors, company secretary</b>	He Chuangye (賀創業)
<b>Registered office</b>	No. 166 Jiefang Road Lixia District Jinan, Shandong Province PRC
<b>Head office in the PRC</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, PRC

## BRIEF DESCRIPTION OF THE COMPANY'S SHARES

<b>Place of listing of H Shares</b>	The Stock Exchange of Hong Kong Limited
<b>Stock name</b>	SDITC
<b>Stock code</b>	1697

## CONTACT PERSON, CONTACT INFORMATION AND CONTACT ADDRESS

Senior management responsible for information disclosure	He Chuangye (賀創業)
Contact person for information disclosure matter	Yuan Fang (袁方)
Telephone number	(0531) 86566593
Facsimile number	(0531) 86566593
E-mail address	ir1697@luxin.cn
Media for information disclosure	Shanghai Securities News
Website of Hong Kong Stock Exchange for publishing the interim report for H Shares	www.hkexnews.hk
Place for maintaining interim report	No. 166 Jiefang Road, Lixia District Jinan, Shandong Province, PRC

## SERVICE ORGANISATIONS

H Share Registrar	Computershare Hong Kong Investor Services Limited Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, PRC
Legal Advisor (as to PRC laws) Place of business	Fangda Partners 24/F, HKRI Centre Two, HKRI Taikoo Hui, 288 Shi Men Yi Road, Shanghai, PRC
Legal Advisor (as to Hong Kong laws) Place of business	Fangda Partners 26th Floor, One Exchange Square, 8 Connaught Place, Central, Hong Kong, PRC
International Auditor Place of business	SHINEWING (HK) CPA Limited (Certified Public Accountants and Registered Public Interest Entity Auditor) 17/F, Chubb Tower, Windsor House, 311 Gloucester Road, Causeway Bay, Hong Kong, PRC
PRC Auditor Place of business	ShineWing Certified Public Accountants LLP 9/F, Block A, Fu Hua Mansion, 8 Chaoyangmen Beidajie, Dongcheng District, Beijing, PRC
Name of the undersigned accountant	Chan Wing Kit
Principal Bank Place of business	Citic Bank Jinan Quancheng Road Sub-branch No. 166 Jiefang Road, Lixia District Jinan, Shandong Province, PRC

# Major Financial Data

	As at and for the six months ended 30 June		As at and for the year ended 31 December (Audited)			
	2022	2021	2021	2020	2019	2018
Data at the end of the Reporting Period (RMB in millions)						
Total assets	18,463	22,076	19,063	20,684	14,572	13,612
Fee and commission income	519	488	830	1,152	1,038	891
Interest income	38	442	541	717	530	648
Total operating income	631	1,010	1,779	2,306	1,887	1,695
Change in net assets attributable to other beneficiaries of consolidated structured entities	46	(27)	(151)	(17)	(0.5)	(20)
Total operating expenses	1,518	785	1,795	1,942	1,133	700
Operating profit before income tax	(696)	465	465	733	878	1,127
Segment assets						
Proprietary business	16,936	13,281	17,800	19,358	13,241	12,372
Trust business	1,358	8,774	1,123	1,147	997	1,214
Unallocated assets <sup>(1)</sup>	169	21	140	179	334	26
Segment liabilities						
Proprietary business	7,994	11,320	8,186	10,320	4,678	3,989
Trust business	285	172	206	183	71	67
Unallocated liabilities <sup>(1)</sup>	10	–	19	6	13	15

Note:

(1) It refers to the assets and liabilities shared by the proprietary business and trust business.

# Management Discussion and Analysis

## ENVIRONMENT REVIEW

Since 2022, global inflation has remained at a high level. The central banks of major developed economies accelerated and strengthened to tighten their monetary policies. This, coupled with the impact of resurgence of the pandemic, geopolitical conflicts and energy and food crisis, weakened the growth momentum of the world economy and intensified volatility of the international financial market. In the first half of the year, overwhelming factors such as the complex and changing international environment and the spread of pandemic in China increased the downward pressure on China's economy. In response, China effectively coordinated pandemic prevention and control as well as socioeconomic development, and strengthened adjustment of macro policies. Since May, with the positive results achieved in pandemic prevention and control, a series of growth stabilising measures have also shown results, and the economic operation has shown a trend of stabilisation and recovery.

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. In accordance with the requirements of "preventing the COVID-19 outbreak, stabilising the economy, and realising development security", the industry took the initiative to strive forward with the general tone of seeking improvement in stability, and resolutely supported the stabilisation of the economic market for effective prevention and control on financial risks. New achievements were made in all aspects of work by continuous in-depth financial reform and practical improvement in financial services.

2022 is the first year of official launch of the new asset management regulations. Facing the complex and changing external environment, China's trust industry has adhered to the general tone of "pursuing progress while ensuring stability", followed the regulatory guidance, carefully planned business transformation, made great efforts to optimise business structure, actively grasped new opportunities for development, with increased capital strength of the industry, pressure-resistant size of trust assets and improved structure of trust assets in stability. As at the end of the first quarter of 2022, the balance of trust assets managed by China's trust industry was RMB20.16 trillion, the structure of assets, the ways of allocation and the application of the fund has continued to be optimised, capital market 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 new progress.

## BUSINESS OVERVIEW

As a trust company regulated by the CBIRC, the Company is permitted to conduct businesses across a number of markets, such as the real economy, capital markets and money markets. The Company adheres to the market-oriented approach, closely monitors the Chinese economy and market dynamics to identify market opportunities, and it also timely and adeptly adjusts its development strategies to proactively grow its business and achieve the "dual drivers" for the trust business and the proprietary business.

In the first half of 2022, China's macro-economy faced pressures from the three aspects of "shrinking demand, supply impact, and weakening expectations", coupled with the impact of pandemic resurgence in China, the conflict between Russia and Ukraine and the interest rate hike by the US Federal Reserve, further aggravating the downward pressure on the economy. Under the complex and changing external environment, 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, continued to improve 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 generally maintained the development trend of stabilising and making progress in the midst of difficulties.

Firstly, the Company focused on the transformation and innovation of the main business, and the business structure continued to be optimised. The Company grasped the development opportunity of a standard business, and took initiative in active management business to further improve whole product lines of active management business. The sizes of "Suixin Wenli", "Taishanbao", "Shandong Construction and Development Fund" and other net worth products were increasing continuously. The existing scale of standard business exceeded RMB56.0 billion as at the end of June 2022, which became the largest business category of the Company. The Company vigorously developed institutional business and actively launched customised non-standard business for institutions; deepened cooperation with banks, bank financial subsidiaries, securities companies, insurance companies, futures firms and other financial institutions, and strove to build an all-round and in-depth 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. While consolidating the leading advantages of its original businesses, the Company constantly improved its professional service level. The Company focused on promoting the development of family trust and other service trust businesses based on account management. As at the end of June 2022, the cumulative contract amount was RMB23.389 billion, continuing to secure a leading position in the industry. 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 of wealth management and optimised the channel construction. It further promoted the transformation of wealth management, continuously strengthened the construction of independent marketing system. In the first half of 2022, the scale of independent marketing amounted to RMB16.344 billion, with a year-on-year increase of 143% against the downward cycle of the industry, which effectively guaranteed the product issuance. The Company gave full play to its core license advantage for account management and actively carried out special account financing business, catering to the individual financing needs of institutional customers with tailor-made financial services. While the continuous optimisation of the financial planner team and regular internal training on wealth management enhanced the customer service capabilities, the Company, taking WeChat official account and APP as the main advertising platform, carried out a variety of "online + offline" public welfare advocacy on promoting the protection of consumers' rights and interests, regularly organised financial knowledge presentation activities in communities and enterprises, and continuously enhanced the effectiveness of education on investors.

Thirdly, the Company kept advancing the reform of the institutional mechanism and strengthened the endogenous power of transformation and development. The Company's organisational structure with "business division + department system" as the core operated steadily, and the transformation and development capability of the middle and back-end office service business was effectively improved. The reform of the mechanism saw preliminary results. The Company actively promoted the reform of the salary assessment system, vigorously introduced more professionals, practically implemented the three reform goals of "employment or dismissal, promotion or demotion, and salary increment or decrement" and improved a market-oriented management mechanism integrating "strong incentives and hard constraints", so as to stimulate 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 promoted the application of new unified technology platform in the middle office of business to improve the operation management capability and business demand delivery efficiency, and continued to promote the optimisation and upgrading of the functions of wealth APP, realise the mobile exhibition industry of family trust, strengthen operational support, and improve interactive experience. Focusing on supporting business transformation, the Company accelerated the construction of standard asset management system, asset securitisation system and family trust system. Moreover, it advanced the construction of the new master data centre of SITC, and promoted the realisation of platform, components and cloud service for infrastructure, with a view to meeting the requirements of business continuity and future business expansion.

Fifthly, the Company continuously strengthened the construction of internal control and compliance and continued to increase the level of risks management. The Company constantly improved the capital market business, wealth management, risk management and other systems, and built a solid foundation for internal control and compliance management; strictly grasped the project access and further controlled the concentration risk; timely resolved potential risks by means of project oversight, and intensified the disposal of existing risk projects for the continuous liquidation of non-performing assets. The Company earnestly implemented anti-money laundering and anti-terrorist financing, and actively boosted the construction of the 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 Establishment”.

In the first half of 2022, the Group achieved fee and commission income with an amount of 519.5 million, representing a year-on-year increase of 6.4%; operating income with an amount of RMB631.3 million, representing a year-on-year decrease of 37.5%. Net loss attributable to shareholders of the Company was RMB474.3 million, and the net profit attributable to shareholders of the Company was RMB400.9 million in the corresponding period of 2021, mainly due to the fact that (i) in the first half of 2022, the Group transferred all debts under the Ruiyuan No.76 Trust Scheme (the “**Ruiyuan No.76 Debt**”) through public tender procedures. As at the date of publication of this interim report, the debt transfer has not been completed. The Group recorded the expected loss arising from the transfer of the Ruiyuan No.76 Debt (being the difference between the carrying amount and the transfer price of the Ruiyuan No.76 Debt) as impairment losses on financial assets. Meanwhile, affected by multiple factors such as the impact of the pandemic, the macroeconomic downturn and strict regulatory policies, in order to mitigate risks, the Group increased the provision for impairment of assets based on the principle of prudence; and (ii) the net interest income from loans to customers of the Group decreased.

In the first half of 2022, the Group conducted the transfer of its 16.675% equity interest in Fullgoal Fund Management Co., Ltd. (the “**Equity Interest in Fullgoal Fund**”) through the public tender procedures. As at the date of publication of this interim report, the equity transfer has not been completed. The expected gains on the equity transfer to be materialised will be recognised upon the approval of the equity transfer by the competent authorities. The loss for the interim results is temporary, and it will not have any material impact on the cash flows and business operations of the Group for the full year.

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:

	Six months ended 30 June			
	2022		2021	
	Amount	%	Amount	%
(RMB in thousands, except for %)				
<b>Trust business</b>				
Operating income	520,468	63.28%	488,919	39.12%
Segment income	520,468	63.28%	488,919	39.12%
<b>Proprietary business</b>				
Operating income	110,829	13.47%	521,382	41.71%
Share of results of investments in the associates accounted for using the equity accounting method	191,254	23.25%	239,626	19.17%
Segment income	302,083	36.72%	761,008	60.88%
<b>Total</b>	<b>822,551</b>	<b>100.00%</b>	<b>1,249,927</b>	<b>100.00%</b>

In the first half of 2022, the income from the trust business and proprietary business of the Company accounted for 63.3% and 36.7% of the total revenue of the Company, respectively.

### Trust Business

In the first half of 2022, the scale of AUM recorded an increase as compare to the beginning of the year and income from trust business recorded an increase on a year-on-year basis, and the income from actively managed trust in proportion of the fee and commission income of the total income from trust business decreased. The AUM of the Company increased from RMB156,450 million as at 31 December 2021 to RMB167,406 million as at 30 June 2022, and the total number of trusts were 1,318 and 1,411, respectively, as at the respective dates. In the first half of 2022, the Company achieved income of trust business amounted to RMB520 million, indicating a year-on-year increase of 6.5%. During the Reporting Period, revenue from the actively managed trust amounted to RMB281 million, accounting for 54.1% of the fee and commission income of the total income from trust business and indicating a year-on-year decrease of 28.3 percentage points.

### Classification of Trusts

With the flexible trust arrangements under laws of the PRC, 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 any 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 HNWIs 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 HNWIs.
- (3) **Administrative management trusts:** Through the administrative management trusts, the Company provides administrative services to the trustors, whilst 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 these types of trusts, the Company merely provides trust administration-related services and accepts entrustment of trust assets from trustors and uses such trust assets to provide financing for or invest 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:

	30 June 2022		31 December 2021	
	Number	AUM (AUM: RMB in millions)	Number	AUM
Financing trusts	156	41,930	184	49,981
Investment trusts	1,045	47,265	987	28,139
Administrative management trusts	210	78,211	147	78,330
<b>Total</b>	<b>1,411</b>	<b>167,406</b>	<b>1,318</b>	<b>156,450</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):

	Six months ended 30 June			
	2022		2021	
	Revenue	%	Revenue	%
	(Revenue: RMB in millions)			
Financing trusts	168	32.37	345	70.70
Investment trusts	113	21.77	57	11.68
Administrative management trusts	238	45.86	86	17.62
<b>Total</b>	<b>519</b>	<b>100.00</b>	<b>488</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 30 June 2022, the Company had 24 existing equity investment projects (including "equity + debt" projects), of which the total scale of pure equity investment was RMB955 million. 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.

SITC set up a capital market business department to carry out capital market business, which 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, providing 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 conduct comprehensive management of the project, assets, customers, products, beneficial rights, business process, business account and risk control, 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 30 June 2022, the size of the Company's existing capital market business exceeded RMB56.0 billion. With the establishment of the Science and Technology 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 trustor'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 leading 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 implements online management of the full process of family trust customers such as online application, automatic information identification, online signing and online asset search.

As at 30 June 2022, the Company had established 1,329 family trusts, with an existing scale of RMB23.389 billion, which has always been in the forefront of the industry in recent years. In the first half of 2022, the Company's family trust was awarded the "Gold Honour 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 HNWI's, 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 30 June 2022, the existing industrial and commercial enterprises trust scale of SITC was RMB18.857 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 and 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 industries 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, account receivables and asset securitisation. Infrastructure trust usually takes business operation income and government financial investment as repayment sources. As at 30 June 2022, the Company's existing infrastructure trust amounted to RMB11.226 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 instalment 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 engaged 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 30 June 2022, the Company had established consumer finance trusts totalling RMB7.452 billion, with an existing scale of RMB4.141 billion, providing consumption financial services to 2.6630 million natural persons in aggregate 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 securitisation 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 construct standardised securitisation underlying assets to obtain transaction value.

As at 30 June 2022, SITC, as the initiator and trustee of asset-backed securities, had set up 4 asset-backed securities projects with a cumulative scale of RMB8.702 billion, involving ABN, CMBS, CMBN, etc. During the business process, the Company has established good cooperative relationship with financial institutions including large securities companies, large commercial banks and many high-quality state-owned enterprises, and accumulated 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 interest 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 from natural disasters, accident and public health events. The state has always encouraged and supported the development of charitable trusts, and has provided many policy supports in venture capital withdrawal, Trust Industry Protection 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 30 June 2022, the Company had established a total of 12 standardised charitable trusts with an existing scale of approximately RMB76.2941 million. The Company has utilised a total of RMB10.2082 million of trust funds in accordance with trustors' intentions for the benefit of 5,361 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, the 14th "Integrity Trust" Best Charity Trust Product Award and the 2022 "Gold Award – Outstanding Charity Trust Product Award". In 2022, 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".

### Proprietary Business

In the first half of 2022, 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, and provided great support for standardised products and the transformation and innovation of the “equity + debt” trust business so as to assist the transformation and development of the Company’s business. Secondly, the Company focused on the optimisation of financial indicators, commenced the transfer of Equity Interest in Fullgoal Fund. so as to acquire liquidity and enhance risk resistance, further focused on the main business of trust and served the transformation and development of the Company. Thirdly, the Company further optimised the asset structure, actively dealt with inefficient assets, and improved the quality of proprietary assets. Fourthly, with safety and liquidity being assured, diversified investment and efficient use of liquidity capital 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 RMB302.1 million from its proprietary business in the first half of 2022, representing a year-on-year decrease of 60.3%, mainly due to the decrease in interest income from RMB441.9 million in the first half of 2021 to RMB36.6 million in the first half of 2022.

### 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:

	30 June 2022	31 December 2021 (Audited)
	(RMB in thousands)	
<b>Investments in monetary assets</b>	1,141,295	2,045,734
Cash at banks	31,634	77,253
Other monetary assets	29,637	1,299,674
Government bonds purchased under agreements to resell	1,080,024	668,807
<b>Securities Investments</b>	9,889,125	7,058,604
<i>Investment in equity products</i>	1,402,944	944,559
Listed shares classified as:		
– financial assets at FVTPL	10,951	7,809
Subtotal	10,951	7,809
Mutual funds classified as:		
– financial assets at FVTPL	1,391,993	936,750
Subtotal	1,391,993	936,750
<i>Investment in wealth management products</i>		
Investments in consolidated trust schemes	2,817,492	4,817,676
Investment in unconsolidated trust schemes classified as financial assets at FVTPL	407,869	213,994
Investment in unconsolidated trust schemes classified as financial investments – amortised cost	183,354	–
Other financial investment classified as financial investments – amortised cost	4,848,619	887,634
Asset management products	228,847	194,741
<b>Long-Term Equity Investments</b>	2,211,506	2,245,272
Investment accounted for using the equity method	1,660,308	1,705,702
Investment classified as financial assets at FVTPL	551,198	539,570
<b>Proprietary Loans</b>	1,000,000	1,687,504
<b>Trust Industry Protection Fund</b>	108,895	104,500
<b>Total</b>	<b>14,350,821</b>	<b>13,141,614</b>

### 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:

	30 June 2022	31 December 2021 (Audited)
	(RMB in thousands)	
<b>Investment in monetary assets</b>		
– Cash at banks	31,634	77,253
– Other monetary assets	29,637	1,299,674
– Government bonds purchased under agreements to resell	1,080,024	668,807
<b>Total</b>	<b>1,141,295</b>	<b>2,045,734</b>

	Six months ended 30 June 2022	2021
	(RMB in thousands)	
<b>Interest income generated from:</b>		
– Cash at banks	539	3,201
– Government bonds purchased under agreements to resell	10,294	10,411
<b>Total</b>	<b>10,833</b>	<b>13,612</b>

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 3.7% and 1.4% for the six months ended 30 June 2021 and for the six months ended 30 June 2022, 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, including investments in the consolidated and unconsolidated trust schemes and asset management products.

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

	Six months ended 30 June 2022	Year ended 31 December 2021 (Audited)
	(RMB in millions, except risk category)	
<b>Risk category of underlying investments</b>		
– Equity products	High	High
– Trust schemes	Medium	Medium
– Financial investments – amortised cost	Medium	Medium
– Asset management products	Medium	Medium
<b>Average investment balance<sup>(1)</sup></b>		
– Equity products	1,173.8	826.7
– Trust schemes	4,220.2	5,134.4
– Financial investments – amortised cost	2,868.1	443.8
– Asset management products	211.8	148.7

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 42.0% from RMB826.7 million in 2021 to RMB1,173.8 million in the first half of 2022; the average balance of investments in trust schemes decreased by 17.8% from RMB5,134.4 million in 2021 to RMB4,220.2 million in the first half of 2022; the average balance of the financial investments – amortised cost increased by 546.2% from RMB443.8 million in 2021 to RMB2,868.1 million in the first half of 2022; and the average balance of investments in asset management products increased by 42.4% from RMB148.7 million in 2021 to RMB211.8 million in the first half of 2022.

### 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 30 June 2022, 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		Board seat	First investment date	Accounting treatment
		30 June 2022				
Sinotruk Auto Finance Co., Ltd.	Automobile financing	6.52%	Yes	September 2015	Investments accounted for using the equity method	
Fullgoal Fund Management Co., Ltd. <sup>(1)</sup>	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 FVTPL	

*Note:*

- (1) In the first half of 2022, the Company transferred the Equity Interest in Fullgoal Fund through public tender procedures. As at the date of publication of this interim report, the equity transfer has not been completed. In accordance with the relevant requirements of IFRS, the Company carried it forward to the assets classified as held for sale. The expected gains on the equity transfer to be materialised will be recognised upon the approval of the equity transfer by the competent authorities.

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 FVTPL 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 FVTPL) together with their investment return (in terms of dividend income generated) for the periods indicated below are summarised as follows:

	30 June 2022	31 December 2021 (Audited)
	(RMB in thousands)	
<b>Long-term equity investments, accounted for:</b>		
– As associate using the equity method	1,660,308	1,705,702
– Investment categorised as financial assets at FVTPL	551,198	539,570
<b>Total</b>	<b>2,211,506</b>	<b>2,245,272</b>

	Six months ended 30 June 2022	2021
	(RMB in thousands)	
<b>Dividend income generated from:</b>		
– As associate using the equity method	233,450	120,394
– Investment categorised as financial assets at FVTPL	4,251	5,071
<b>Total</b>	<b>237,701</b>	<b>125,465</b>

The average investment returns of the Company's long-term equity investments (calculated as the total of the investment income (in terms of the dividend income received), annualised as a percentage of average investment balance in such long-term equity investments, where appropriate) were 12.6% and 21.3% for the six months ended 30 June 2021 and the six months ended 30 June 2022, respectively. The increase in average return on long-term equity investments in the first half of 2022 as compared to that of the first half of 2021 was primarily due to the increase in dividend income from the associates of the Company in the first half of 2022.

### **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 2021 and 30 June 2022, the outstanding balance of the Company's proprietary loans were RMB1,687.5 million and RMB1,000.0 million, respectively. During the Reporting Period, the Company entered into a transfer agreement for the proprietary loan (i.e. Ruiyuan No. 76 Debt) and carried it forward to assets classified as held for sale during the Reporting Period.

### **Trust Industry Protection Fund**

According to the Administrative Measures on Trust Industry Protection Fund 《信託業保障基金管理辦法》 issued by the CBRC in December 2014, trust companies are required to subscribe for a certain amount of the protection fund when conducting business. The Company's interests in the Trust Industry Protection Fund increased by 4.2% from RMB104.5 million as at 31 December 2021 to RMB108.9 million as at 30 June 2022.

## **FINANCIAL OVERVIEW**

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

In the first half of 2022, the Company recorded a net loss attributable to shareholders of the Company of RMB474.3 million, and a net profit of RMB400.9 million in the corresponding period of last year.

### **Results of Operations**

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

	Six months ended 30 June	
	2022	2021
	(RMB in thousands)	
Fee and commission income	519,484	488,446
Interest income	37,600	442,397
Net changes in fair value on financial assets at FVTPL and investments in associates measured at fair value	35,869	(135,419)
Investment income	36,664	170,696
Net gains on disposal of investments in associates	–	41,196
Other operating income	1,680	2,985
<b>Total operating income</b>	<b>631,297</b>	<b>1,010,301</b>

	Six months ended 30 June	
	2022	2021
	(RMB in thousands)	
Interest expenses	(58,637)	(300,498)
Staff costs (including directors and supervisors' emoluments)	(93,649)	(74,673)
Depreciation and amortisation	(15,611)	(8,247)
Change in net assets attributable to other beneficiaries of consolidated structured entities	46,026	(26,683)
Tax and surcharges	(6,199)	(8,050)
Administrative expenses	(43,059)	(30,708)
Impairment losses on financial assets, net of reversal	(1,347,287)	(335,745)
<b>Total operating expenses</b>	<b>(1,518,416)</b>	<b>(784,604)</b>
Share of results of investments in the associates accounted for using the equity accounting method	191,254	239,626
<b>(Loss)/profit before income tax</b>	<b>(695,865)</b>	<b>465,323</b>
Income tax credit/(expense)	221,594	(64,381)
<b>Net (loss)/profit attributable to shareholders of the Company</b>	<b>(474,271)</b>	<b>400,942</b>

## 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:

	Six months ended 30 June	
	2022	2021
	(RMB in thousands)	
<b>Fee and commission income from:</b>		
Trustee's remuneration	519,484	488,446

The Group's fee and commission income in the first half of 2022 was RMB519.5 million, representing an increase of 6.4% as compared to RMB488.4 million in the first half of 2021.

**Interest Income**

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

	Six months ended 30 June	
	2022	2021
	(RMB in thousands)	
<b>Interest income from:</b>		
Cash and bank balances	539	3,201
Loans to customers	24,941	427,610
Financial investments – amortised cost	1,583	112
Financial assets purchased under resale agreements	10,294	10,411
Contribution to Trust Industry Protection Fund	243	1,063
<b>Total</b>	<b>37,600</b>	<b>442,397</b>

The Group's interest income in the first half of 2022 was RMB37.6 million, representing a decrease of 91.5% as compared to the RMB442.4 million in the first half of 2021. Such decrease was primarily due to a decrease of 94.2% in interest income of loans granted by consolidated structured entities recorded by the Group from RMB427.6 million in the first half of 2021 to RMB24.9 million in the first half of 2022.

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

Net changes in fair value on financial assets at FVTPL and investments in associates measured at fair value recorded a loss of RMB135.4 million in the first half of 2021, and a gain of RMB35.9 million in the first half of 2022, primarily due to the fact that the Group disposed of stocks, mutual funds and other financial products in the first half of 2021, and transferred the income from changes in fair value recognised in previous years to invest income.

**Investment Income**

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

	Six months ended 30 June	
	2022	2021
	(RMB in thousands)	
<b>Dividends income from:</b>		
Financial assets at FVTPL	7,461	5,171
<b>Net realised gains from disposal of:</b>		
Financial assets at FVTPL	29,203	165,525
<b>Total</b>	<b>36,664</b>	<b>170,696</b>

The Group's investment income in the first half of 2022 was RMB36.7 million, representing a decrease of RMB134.0 million as compared to RMB170.7 million in the first half of 2021. Such decrease was due to the decrease in the trading volume of listed shares, mutual funds and other financial products held by the Group in the first half of 2022.

**Net Gains on Disposal of Investments in Associates**

In the first half of 2021, the associates held by the consolidated structured entities were disposed of, and the Group realised a net gain of RMB41.2 million. No associate held by the structured entities was disposed of in the first half of 2022.

**Total Operating Expenses****Interest Expenses**

The Group's interest expenses mainly 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) expected returns attributable to third-party beneficiaries of the Group's consolidated financing trust schemes (after offsetting the impairment losses attributable to such third-party beneficiaries).

The Group's interest expenses in the first half of 2022 were RMB58.6 million, representing a decrease of 80.5% as compared to RMB300.5 million in the first half of 2021, 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:

	Six months ended 30 June	
	2022	2021
	(RMB in thousands)	
Salaries and bonuses	76,815	62,858
Pension costs (defined contribution plans)	5,558	3,499
Housing funds	4,429	3,307
Labour union fee and staff education expenses	1,851	1,527
Other social security and benefit costs	4,996	3,482
<b>Total</b>	<b>93,649</b>	<b>74,673</b>

The Company's staff costs in the first half of 2022 were RMB93.6 million, representing an increase of 25.4% as compared to RMB74.7 million in the first half of 2021, primarily due to the increase in salaries and bonuses as a result of the introduction of professionals and talents under the market reform of the Company.

**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:

	Six months ended 30 June	
	2022	2021
	(RMB in thousands)	
Loans to customers	1,207,771	346,434
Financial investments – amortised cost	128,605	(1,312)
Trustee's remuneration receivable	6,166	(1,534)
Others	4,745	(7,843)
<b>Total</b>	<b>1,347,287</b>	<b>335,745</b>

Impairment losses on financial assets, net of reversal of the Group increased by 301.3% from RMB335.7 million in the first half of 2021 to RMB1,347.3 million in the first half of 2022, which was primarily due to the fact that in the first half of 2022, the Company transferred the Ruiyuan No.76 Debt through public tender procedures and recorded the expected loss arising from the transfer of the Ruiyuan No.76 Debt (being the difference between the carrying amount and the transfer price of the Ruiyuan No.76 Debt) as impairment losses on financial assets. Meanwhile, affected by multiple factors such as the impact of the COVID-19 pandemic, the macroeconomic downturn and strict regulatory policies, in order to mitigate risks, the Group increased the provision for impairment of assets based on the principle of prudence.

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

The Group's share of results of investments in the associates accounted for using the equity accounting method decreased by 20.2% from RMB239.6 million in the first half of 2021 to RMB191.3 million in the first half of 2022, primarily due to the decrease in the net profit of certain investees.

### **(Loss)/Profit before Income Tax and Operating Margin**

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

	Six months ended 30 June	
	2022	2021
	(RMB in thousands)	
(Loss)/profit before income tax	(695,865)	465,323
Operating margin <sup>(1)</sup>	-110.2%	46.1%

Note:

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

As a result of the foregoing, the Group's profit before income tax changed from RMB465.3 million in the first half of 2021 to a loss of RMB695.9 million in the first half of 2022.

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

The Company's income tax expense changed from RMB64.4 million in the first half of 2021 to an income tax credit of RMB221.6 million in the first half of 2022, primarily due to the loss before income tax recorded in the first half of 2022 of the Group.

### **Net (Loss)/Profit Attributable to Shareholders of the Company and Net Profit Margin**

The following table sets forth the net (loss)/profit attributable to shareholders of the Company and the net profit margin for the periods indicated:

	Six months ended 30 June	
	2022	2021
	(RMB in thousands)	
Net (loss)/profit attributable to shareholders of the Company	(474,271)	400,942
Net profit margin <sup>(1)</sup>	-75.1%	39.7%

Note:

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

As a result of the foregoing reasons, the net profit attributable to the shareholders of the Company changed from RMB400.9 million in the first half of 2021 to a net loss of RMB474.3 million in the first half of 2022.

### Segment Results of Operations

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

	Six months ended 30 June	
	2022	2021
	(RMB in thousands)	
<b>Trust business:</b>		
Operating income	520,468	488,919
Segment income	520,468	488,919
<b>Proprietary business:</b>		
Operating income	110,829	521,382
Share of results of investments in the associates accounted for using equity accounting method	191,254	239,626
Segment income	302,083	761,008

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

	Six months ended 30 June	
	2022	2021
	(RMB in thousands)	
Trust business	(140,424)	(111,678)
Proprietary business	(1,377,992)	(672,926)
<b>Total operating expenses</b>	<b>(1,518,416)</b>	<b>(784,604)</b>

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

	Six months ended 30 June	
	2022	2021
	(RMB in thousands)	
Trust business	380,044	377,241
Proprietary business	(1,075,909)	88,082
<b>Total (loss)/profit before income tax</b>	<b>(695,865)</b>	<b>465,323</b>

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

	Six months ended 30 June	
	2022	2021
	(RMB in thousands)	
Trust business	73.0%	77.2%
Proprietary business	-356.2%	11.6%

### Trust Business

The segment income from the Group's trust business consists of its fee and commission income and 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 increased by 0.7% from RMB377.2 million in the first half of 2021 to RMB380.0 million in the first half of 2022, primarily due to an increase of 6.5% in the segment income from the trust business from RMB488.9 million in the first half of 2021 to RMB520.5 million in the first half of 2022, and was partially offset by an increase of 25.7% in segment operating expenses from the trust business from RMB111.7 million in the first half of 2021 to RMB140.4 million in the first half of 2022.

- (1) The increase in the segment income from the trust business was mainly due to an increase in the Group's fee and commission income from RMB488.4 million in the first half of 2021 to RMB519.5 million in the first half of 2022.
- (2) The increase in the segment operating expenses from the trust business was mainly due to (i) an increase in staff cost from RMB72.7 million in the first half of 2021 to RMB90.9 million in the first half of 2022; (ii) an increase in administrative expenses related to the Group's trust business from RMB29.6 million in the first half of 2021 to RMB42.1 million in the first half of 2022.

As a result of the foregoing, the segment margin of the trust business decreased from 77.2% in the first half of 2021 to 73.0% in the first half of 2022.

### 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 FVTPL and investment in associates measured at fair value, investment income, net gains on disposal of investments in associates and share of results of investments in the 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 profit before income tax for the Group's proprietary business changed from RMB88.1 million in the first half of 2021 to RMB1,075.9 million of loss in the first half of 2022, primarily due to a decrease of 60.3% in the segment income from the proprietary business from RMB761.0 million in the first half of 2021 to RMB302.1 million in the first half of 2022, and an increase of 104.8% in the segment operating expenses from the proprietary business from RMB672.9 million in the first half of 2021 to RMB1,378.0 million in the first half of 2022.

- (1) The decrease in segment income from the proprietary business was mainly due to a decrease in the interest income from RMB441.9 million in the first half of 2021 to RMB36.6 million in the first half of 2022.
- (2) The increase in the segment operating expenses from the proprietary business was mainly due to an increase in the impairment losses on financial assets, net of reversal from RMB335.7 million in the first half of 2021 to RMB1,347.3 million in the first half of 2022, partially offset by a decrease in interest expenses from RMB300.5 million in the first half of 2021 to RMB58.6 million in the first half of 2022 and a decrease in positive change in net assets attributable to other beneficiaries of consolidated structured entities from RMB26.7 million in the first half of 2021 to a negative change in net assets of RMB46.0 million in the first half of 2022.

### Selected Interim Condensed Consolidated Financial Positions

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

#### Assets

As at 31 December 2021 and 30 June 2022, the total assets of the Group (including the Company and the trust schemes over which the Company has control) amounted to RMB19,062.5 million and RMB18,463.1 million, respectively, of which the total assets of the Company amounted to RMB14,271.3 million and RMB15,884.3 million, respectively. The Group's major assets consist of (i) loans to customers, (ii) financial assets at FVTPL, (iii) assets classified as held for sale, (iv) financial investments – amortised cost, (v) financial assets purchased under resale agreements, (vi) investments in associates, and (vii) trustee's remuneration receivable. As at 30 June 2022, the above-mentioned major assets accounted for 36.2%, 20.2%, 11.5%, 9.9%, 7.2%, 5.0% and 1.0% of the total assets of the Group, respectively.

### Loans to Customers

The following table sets forth the gross amount of the Group's loans to customers, interest receivable, expected credit loss 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:

	30 June 2022	31 December 2021 (Audited)
	(RMB in thousands)	
Corporate loans-at amortised cost	8,870,735	11,400,623
Including: issued by the Company	–	2,000,000
issued by consolidated structured entities	8,870,735	9,400,623
Interest receivable	3,560	193,609
<b>Loans to customers, gross</b>	<b>8,874,295</b>	<b>11,594,232</b>
Less: Expected credit loss allowance – loans	(2,196,661)	(2,057,573)
Expected credit loss allowance – interest receivable	(195)	(149,779)
<b>Loans to customers, net</b>	<b>6,677,439</b>	<b>9,386,880</b>
Presented as:		
Non-current assets	6,301,849	8,214,294
Current assets	375,590	1,172,586
<b>Loans to customers, net</b>	<b>6,677,439</b>	<b>9,386,880</b>

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 Group's financial statements were identified as impaired during the Reporting Period. The gross amount of such impaired loans decreased by 15.5% from RMB9,789.2 million as at 31 December 2021 to RMB8,274.9 million as at 30 June 2022. 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 2021 and 30 June 2022 were RMB7,926.1 million and RMB6,503.9 million, respectively. The Group determined the provision for impairment losses on those loans through expected credit losses assessments and made allowance for impairment of RMB1,986.2 million and RMB2,165.4 million for these impaired loans as at 31 December 2021 and 30 June 2022, respectively, representing 20.3% and 26.2% of the gross amount of those loans, respectively. The Group has provided impairment allowances as such impairment allowances were provided in accordance with the provisions under IFRS 9 "Financial Instruments". Such impairment allowances were measured by the difference between the carrying amount of those impaired loans and the present value of estimated future cash flows of those loans, and in particular, the disposal proceeds after deduction of expenses attributable to such disposals as at each of the respective balance sheet dates. The gross amount of such impaired loans represented 85.9% and 93.3% of the Group's gross loans to customers as at 31 December 2021 and 30 June 2022, respectively.

The Company is allowed to grant loans to customers using its proprietary assets, which are referred to as the Company's proprietary loans. During the Reporting Period, the Company entered into a transfer agreement for the proprietary loans (i.e. Ruiyuan No.76 Debt) and carried it forward to the assets classified as held for sale.

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

	30 June 2022	31 December 2021 (Audited)
	(RMB in thousands)	
Corporate loans – at amortised cost	–	2,000,000
Interest receivable	–	149,779
<b>Loans to customers, gross</b>	–	2,149,779
Less: Expected credit loss allowance – Loans	–	(312,496)
Expected credit loss allowance – Interest receivable	–	(149,779)
<b>Loans to customers, net</b>	–	1,687,504
Presented as:		
Non-current assets	–	1,687,504
Current assets	–	–
<b>Loans to customers, net</b>	–	1,687,504

#### *Financial Investments – Amortised Cost*

The following table sets forth the Company's total financial investments – amortised cost as at the date indicated, expected credit loss allowance, net financial investments – amortised cost:

	30 June 2022	31 December 2021 (Audited)
	(RMB in thousands)	
Financial investments – amortised cost, gross	2,201,172	1,090,714
Less: Expected credit loss allowance	(378,147)	(203,080)
<b>Financial investments – amortised cost, net</b>	1,823,025	887,634

### Investments in Associates

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

	Equity Interest as at 30 June 2022	30 June 2022	31 December 2021 (Audited)
(RMB in thousands)			
<b>Associates of the Company, measured at equity accounting method:</b>			
Fullgoal Fund Management Co., Ltd. <sup>(1)</sup> (富國基金管理有限公司)		–	1,174,603
Taishan Property & Casualty Insurance Co., Ltd. (泰山財產保險股份有限公司)	7.40%	188,919	199,435
Sinotruk Automobile Finance Co., Ltd. (重汽汽車金融有限公司)	6.52%	213,657	209,241
Dezhou Bank Co., Ltd. (德州銀行股份有限公司)	2.37%	123,310	119,333
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%	2,696	3,090
<b>Gross amount</b>		<b>528,582</b>	<b>1,705,702</b>
Less: Impairment		–	–
<b>Subtotal</b>		<b>528,582</b>	<b>1,705,702</b>
<b>Associates indirectly held by the Group through consolidated structured entities, measured at equity accounting method:</b>			
Others		19,142	19,284
<b>Gross amount</b>		<b>19,142</b>	<b>19,284</b>
Less: Impairment		(2,000)	(2,000)
<b>Subtotal</b>		<b>17,142</b>	<b>17,284</b>

	Equity Interest as at 30 June 2022	30 June 2022	31 December 2021 (Audited)
(RMB in thousands)			
<b>Associates indirectly held by the Group through consolidated structured entities, measured at fair value:</b>			
Nanyang Liangheng Real Estate Co., Ltd. (南陽梁恒置業有限公司)	49.00%	88,849	88,849
Huangshi Liangsheng Real Estate Development Co., Ltd. (黃石梁晟房地產開發有限公司)	28.00%	116,238	116,238
Nanyang Zhongliang Chengtong Real Estate Co., Ltd. (南陽中梁城通置業有限公司)	20.00%	63,059	63,059
Ankang Liangsheng Jiye Property Co., Ltd. (安康梁盛基業置業有限公司)	20.00%	56,330	36,424
Yunnan Hongshan City Investment Co., Ltd. (雲南虹山城市投資發展有限公司)	15.00%	27,928	27,928
Weifang Hengru Real Estate Co., Ltd. (濰坊恒儒置業有限公司)	15.00%	16,820	16,820
<b>Subtotal</b>		<b>369,224</b>	<b>349,318</b>
<b>Total</b>		<b>914,948</b>	<b>2,072,304</b>

*Note:*

- (1) In the first half of 2022, the Company transferred the Equity Interest in Fullgoal Fund through public tender procedures. As at the date of publication of this interim report, the equity transfer has not been completed. In accordance with the relevant requirements of IFRS, the Company carried it forward to the assets classified as held for sale. The expected gains on the equity transfer to be materialised will be recognised upon the approval of the equity transfer by the competent authorities.

*Financial Assets at FVTPL*

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

	30 June 2022	31 December 2021 (Audited)
	(RMB in thousands)	
Listed shares	10,951	7,809
Equity investments in unlisted entities	1,237,941	1,213,665
Asset management products	228,847	194,741
Mutual funds	1,391,993	1,032,197
Bonds	284,916	388,825
Investments in trust schemes	456,769	213,994
Investments in Trust Industry Protection Fund	117,998	113,228
<b>Total</b>	<b>3,729,415</b>	<b>3,164,459</b>

The changes in the major composition of the Group's financial assets at FVTPL 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 FVTPL increased by 17.9% from RMB3,164.5 million on 31 December 2021 to RMB3,729.4 million on 30 June 2022, primarily due to the Group's (i) increase of the investments in mutual funds; (ii) increase of the investments in trust schemes; and (iii) decrease of the investments in bonds.

*Trustee's Remuneration Receivable*

Trustee's remuneration receivable of the Group 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.

Trustee's remuneration receivable of the Group decreased by 4.6% from RMB200.1 million on 31 December 2021 to RMB190.8 million on 30 June 2022. 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 31 July 2022, 15.6% of the trustee's remuneration receivable was recovered.

*Financial Assets Purchased under Resale Agreements*

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

The Group's government bond purchased under agreements to resell increased from RMB697.6 million on 31 December 2021 to RMB1,334.6 million on 30 June 2022. These changes were due to the flexible adjustment of the business scale of the Company's based on the overall market condition and interest rates, and such adjustment resulted in a change in the amounts of the Company's government bond purchased under agreements to resell as at 31 December 2021 and 30 June 2022, 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 RMB11.6 million and RMB10.2 million as at 31 December 2021 and 30 June 2022, respectively, among which RMB8.9 million and RMB10.2 million were classified as non-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.

### *Assets Classified as Held for Sale*

In the first half of 2022, the Company transferred the Equity Interest in Fullgoal Fund and Ruiyuan No.76 Debt through public tender procedures. As at the date of publication of this interim report, neither the equity transfer nor the debt transfer has been completed. In accordance with the relevant requirements of IFRS, the Company recorded them as assets classified as held for sale, with a carrying amount of RMB2,131.7 million.

### **Liabilities**

As at 31 December 2021 and 30 June 2022, the Group's total liabilities amounted to RMB8,411.3 million and RMB8,289.3 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 non-current portions) and other current liabilities. As at 30 June 2022, 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 29.1%, 24.2%, 1.7% and 43.4% 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 consolidated structured entities represent third-party beneficiaries' share of net assets of the 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 non-current portions) decreased by 54.3% from RMB5,285.0 million on 31 December 2021 to RMB2,413.0 million on 30 June 2022. Changes in such amount mainly reflected changes in the net assets of the Group's consolidated trust schemes as well as the change in percentage of the Company's proprietary investment in such trust schemes.

### *Short-term Borrowings*

As at 30 June 2022, the Group's short-term borrowings amounted to RMB2,005.0 million were interest-bearing loans from China Trust Protection Fund Co., Ltd. that will fall due in January, March and April 2023, respectively.

### *Other Current Liabilities*

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

The Company's Trust Industry Protection Fund collected from counterparty clients of its financing trusts increased from RMB194.0 million as at 31 December 2021 to RMB469.1 million as at 30 June 2022.

The Company's deferred trustee's remuneration increased from RMB30.8 million on 31 December 2021 to RMB41.5 million on 30 June 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 MOF and the SAT of the PRC 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 30 June 2022, the outstanding VAT for trusts and the related surcharges amounted to RMB57.2 million.

As at 30 June 2022, the Group has received RMB2,499.3 million for the disposal of assets for sale in advance.

### *Off-balance Sheet Arrangements*

As at 30 June 2022, the Group did not have any outstanding off balance sheet guarantees or foreign currency forward contracts.

### **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.

During the year ended 31 December 2021 and the six months ended 30 June 2022, the Company had consolidated 32 and 28 of the trust schemes under its management, respectively, and the total trust assets of these consolidated trust schemes were RMB10,427.6 million and RMB4,099.8 million, respectively. The following table sets forth changes in the number of the Group's consolidated trust schemes during the Reporting Period:

	Six months ended 30 June 2022	Year ended 31 December 2021
<b>Beginning:</b>	32	50
Newly consolidated trust schemes	–	5
Deconsolidated trust schemes	4	23
<b>Ending:</b>	28	32

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 FVTPL, investments in associates and other assets) in the Company's total assets. The following table illustrates the impact on the Company's total assets resulting from the consolidation of these trust schemes during the Reporting Period:

	As at 30 June 2022	As at 31 December 2021 (Audited)
	(RMB in millions)	
Total assets of the Company	15,884	14,271
Total assets of consolidated trust schemes	4,100	10,428
Consolidation adjustment	(1,521)	(5,636)
<b>Total assets of the Group</b>	<b>18,463</b>	<b>19,063</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:

	As at 30 June 2022	As at 31 December 2021 (Audited)
	(RMB in millions)	
Total liabilities of the Company	5,796	3,695
Total liabilities of consolidated trust schemes	4,100	10,428
Consolidation adjustment	(1,607)	(5,712)
<b>Total liabilities of the Group</b>	<b>8,289</b>	<b>8,411</b>

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

	As at 30 June 2022	As at 31 December 2021 (Audited)
	(RMB in millions)	
Total equity of the Company	10,088	10,576
Consolidation adjustment	86	76
<b>Total equity of the Group</b>	<b>10,174</b>	<b>10,652</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 shareholders of the Company has been reduced. The following table illustrates the impact on net profit attributable to the shareholders of the Company resulting from the consolidation of these trust schemes during the Reporting Period:

	Six months ended 30 June 2022	2021
	(RMB in millions)	
Net (loss)/profit attributable to the shareholders of the Company before consolidation of trust schemes	(489)	405
Impact of consolidation of trust schemes	15	(4)
<b>Net (loss)/profit attributable to the shareholders of the Group after consolidation of trust schemes</b>	<b>(474)</b>	<b>401</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 floating trustee's remuneration as 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 standard 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.

## RISK MANAGEMENT

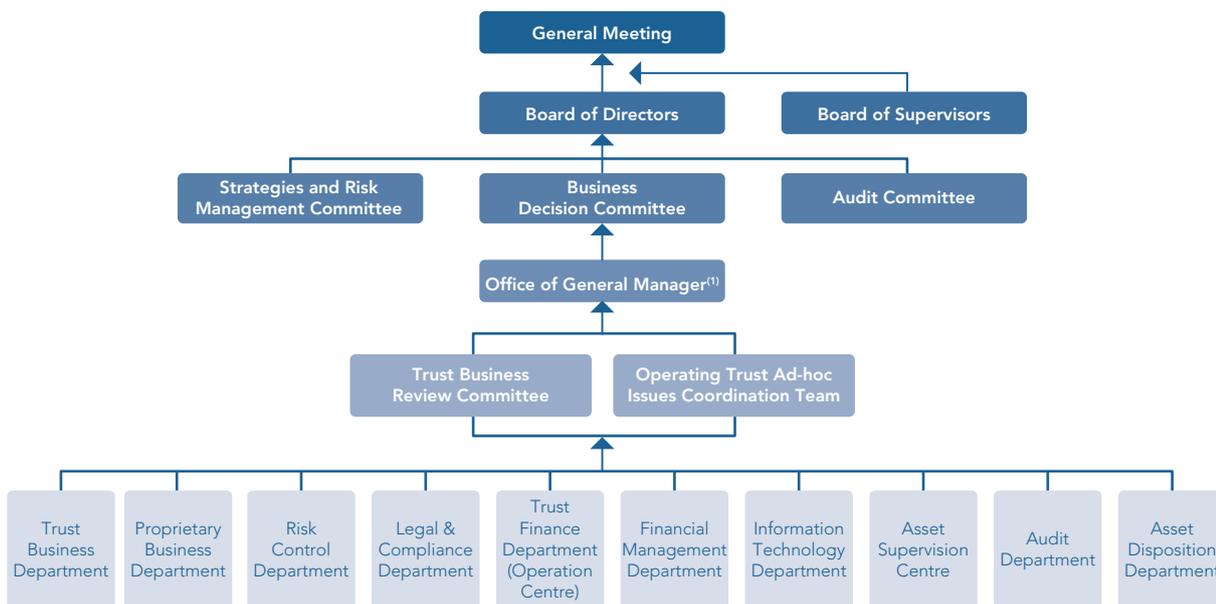
### Overview

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.

### 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 of Directors and Strategies and Risk Management Committee, Audit Committee and Business Decision Committee thereof; (3) 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, Supervision and 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.

The organisational structure of the Company's risk management system is as follows:



Note:

- (1) Covering all senior management members of the Company, including general manager, vice general manager, secretary to the Board, chief risk officer, chief financial officer and assistant to general manager.

### 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 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 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", 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 returning 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 these offered by the Company and the Company may lose some of its advantages and face increased competition as a result.

### ***Business Lines and Product Mix***

The Company has two business segments, namely its trust business and proprietary business. The Company's 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.

## 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.

## 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.

## 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 30 June 2022, the Group's current liabilities exceeded its current assets by RMB1,186.9 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 30 June 2022 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 "Management Discussion and Analysis" – "Liquidity and Financial Resources" of this interim report.

### 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.

### 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.

### 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".

### 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 awareness 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.

## Risk Management Systems and Policies

The Company has put in place systems and policies in every aspect and stage of our business operation. These internal systems constitute a complete risk management system. The main systems and policies applicable to the Company's trust business are illustrated as follows:



The main systems and policies governing the proprietary business of the Company include Rules of Procedures on Business Decision Committee of the Board of Directors (董事會業務決策委員會議事規則), Rules of Procedures on Party Committee (黨委會議事規則), Rules of Procedures on General Manager's Office Meeting (總經理辦公會議事規則), Administrative Measures on Proprietary Financial Equity Investment Business (固有資金金融股權投資業務管理辦法), Administrative Measures on Proprietary Equity Investment Business (固有資金股權投資業務管理辦法), Administrative Measures on Proprietary Securities Investment (自營證券業務管理辦法), Administrative Measures on Proprietary Loans (固有資金貸款業務管理辦法), Administrative Measures on Proprietary Guarantee Business (固有資金擔保業務管理辦法), Administrative Measures on Proprietary Financial Products Investment (自有資金投資金融產品管理辦法), Administrative Measures on Inter-bank Lending and Borrowing (自有資金同業拆借管理辦法) and Administrative Measures on Project Review and Daily Approval of Venture Capital Fund Business (創投基金業務項目評審及日常審批管理辦法).

### 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), Information Technology Department, Office of the Board of Directors (Supervisors) (Research and Development Centre), Asset Monitoring Centre, Finance Management Department, Risk Control Department, Legal & Compliance Department, Wealth Management Business Division, Family Trust Business Division, Office, Office of Discipline Inspection (Supervision and 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 determining 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 Centre led by the PBOC in accordance with the relevant laws and regulations.

## 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 30 June 2022, the Company's net capital was approximately RMB7.220 billion, which is not less than RMB200 million; the total risk-based capital was approximately RMB3.254 billion; the ratio of net capital to total risk-based capital was 221.88%, which is not lower than 100%; and the ratio of net capital to net asset was 71.57%, which is not lower than 40%.

## LIQUIDITY AND FINANCIAL RESOURCES

During the Reporting Period, the Group's liquidity was significantly improved by disposing of the Equity Interest in Fullgoal Fund and the Ruiyuan No.76 Debt. As at 30 June 2022, the Group's current liabilities exceeded its current assets by RMB1,186.9 million (31 December 2021: RMB2,305.3 million), with current assets of RMB6,826.2 million and current liabilities of RMB8,013.1 million. As at 30 June 2022, the Group had cash and bank balances totalling RMB186.1 million. As at 30 June 2022, the Group's current liabilities included RMB2,271.6 million in respect of net assets attributable to other beneficiaries of consolidated structured entities.

Given 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 30 June 2022 and repay its debts as they fall due. Accordingly, the unaudited-interim condensed consolidated financial information have been prepared on a going concern basis. For relevant details, please refer to the section headed “Notes to Interim Condensed Consolidated Financial Statements – 2 Basis of Preparation” of this interim report.

## HUMAN RESOURCES MANAGEMENT

Guided by the target of corporate strategies for the human resources work in the first half of 2022, the Company adheres to the “1+3+X” reform implementation path, carries out business transformation and mechanism reform, and promotes the transformation and breakthrough of talent work through the double promotion of business and management, so as to realise the high-quality development of talent team construction.

Constantly optimising the organisational structure and improving operation efficiency. By adopting the management approach of “business division + department system”, the Company has established three business divisions: wealth management business division, capital market business division and family trust business division, set up business centres directly under the six business divisions in direct-administrated municipalities, North China, East China, South China, Central and Western China, and 14 middle and back-end offices. Since the beginning of this year, the constant optimisation of the organisational structure has ensured the high-quality development of the Company.

Recruiting talents. In order to get rid of institutional obstacles, accelerate the pace of market reform and seek long-term development, the Company strengthened the introduction of talents with relevant professional advantages and resource advantages, innovated high-quality development channels of financial services for the real economy, and helped the business transformation and development of the Company.

Giving full play to the role of salary assessment baton and improving remuneration and performance assessment system. Adopt a market-oriented performance assessment, appraisal and incentive system, under which employee compensation is linked to individual performance. We formulate remuneration plans based on the operating performance, risk management and control of the Company, and the employee compensation is closely related to the assessment and completion of performance indicators, risk control indicators, and social responsibility indicators.

Realising the co-growth of the Company and employees. The Company has set up a dual-channel system of “management sequence” and “professional sequence” development to broaden the promotion channels of employees and reasonably meet the career development demands of employees. We build a training “soft platform” for young talents and learn from the advanced experience of the industry to carry out multi-level, multi-type and multi-stage learning and training. We carry out training by means of internal case sharing, engaging external mentors and external training. We offer various online courses for employees. We keep improving the construction of training system of the Company by combining compulsory courses with optional courses and focusing on training credits. We provide employees with efficient, professional and all-around training.

Orderly organising labour unions and fully safeguarding the rights and interests of employees. We held flower arrangement events with the themes of “Love Women, Care Health” and “Respect Women” and “Blessings in the Air” activity to express the Company’s concern and care for female employees. We distribute pandemic prevention materials such as masks, wet wipes, alcohol and disinfectant to all employees, thus ensuring the life and health of employees; strengthen the management of employees’ business trip, formulate management requirements for business trip filing, and strictly implement the policy of epidemic prevention and control. Meanwhile, the Company’s operations have never been affected by any strike or significant labour dispute. The Company’s management will continue to maintain good relationships with the labour union and its employees.

We provide employees with various social insurances (including endowment insurance, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance) and housing provident fund in accordance with relevant Chinese laws and regulations.

As at 30 June 2021 and 30 June 2022, the Company had a total of 234 and 385 employees, respectively. The number and percentage of different employees by departments were as follows:

	30 June 2022		30 June 2021	
	Number of employees	%	Number of employees	%
Management	13	3.38	9	3.85
Trust business employees	155	40.26	96	41.02
Proprietary business employees	4	1.04	11	4.70
Wealth management employees	89	23.11	24	10.26
Risk management and audit employees	47	12.21	26	11.11
Financial and accounting employees	7	1.82	16	6.84
Operation management employees	35	9.09	19	8.12
Other staff <sup>(1)</sup>	35	9.09	33	14.10
<b>Total</b>	<b>385</b>	<b>100.00</b>	<b>234</b>	<b>100.00</b>

Note:

(1) Includes employees from the Company’s human resources department and other back-end departments.

As at 30 June 2021 and 30 June 2022, the details of employees by age were as follows:

	30 June 2022		30 June 2021	
	Number of employees	%	Number of employees	%
Aged 25 and below	6	1.55	7	2.99
Aged 26-29	49	12.73	31	13.25
Aged 30-39	248	64.42	139	59.40
Aged 40 and above	82	21.30	57	24.36
<b>Total</b>	<b>385</b>	<b>100.00</b>	<b>234</b>	<b>100.00</b>

As at 30 June 2021 and 30 June 2022, the details of employees by education level were as follows:

	30 June 2022		30 June 2021	
	Number of employees	%	Number of employees	%
Doctoral degree and above	7	1.82	7	2.99
Master's degree	274	71.17	172	73.50
Bachelor's degree	97	25.19	48	20.51
Junior college and below	7	1.82	7	3.00
<b>Total</b>	<b>385</b>	<b>100.00</b>	<b>234</b>	<b>100.00</b>

## FUTURE PROSPECT

The “three lows and one high” situation of the global economy with “low inflation, low interest rate, low growth and high debt” is undergoing fundamental changes. In order to control high inflation, major developed economies accelerate the tightening of monetary policies, and the spillover effect on emerging economies through foreign trade and foreign investment, exchange rate fluctuations and financial markets has increased significantly. The marginal slowdown of global economic activities has resulted in increased risk of hard landing in some economies. In general, the long-term positive fundamentals of China's economy remain unchanged, such as a resilient economy with abundant macro-policy adjustment tools. There are many favourable conditions for promoting high-quality development of the economy. With the continuous expansion of middle-income groups in China and the rapid accumulation of residents' wealth, the wealth management needs of HNWIs are increasingly growing, and the development space of trust companies is very broad. The trust industry will actively comply with national macroeconomic policy orientation, industry regulatory requirements and the new trend of development of the wealth management industry, give full play to the advantages of the trust system, strengthen the efforts on transformation, further perform the trust function in stabilising economic growth, supporting capital market, preventing and controlling financial risks, and promoting common prosperity, continue to improve incentive mechanism, vigorously promote trust culture, actively establish an investment research system with industry characteristics, and achieve new results in high-quality development.

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

# Changes in Share Capital and Shareholdings of Substantial Shareholders

## CHANGE IN SHARE CAPITAL

Category of shares	31 December 2021		Increase or decrease during the Reporting Period	30 June 2022	
	Number of shares	Percentage (%)		Number of shares	Percentage (%)
Domestic Shares	3,494,115,000	75	–	3,494,115,000	75
H Shares	1,164,735,000	25	–	1,164,735,000	25
<b>Total</b>	<b>4,658,850,000</b>	<b>100</b>	<b>–</b>	<b>4,658,850,000</b>	<b>100</b>

## INTERESTS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

As at 30 June 2022, the Company has been notified by the following persons in relation to their interests or short positions in the shares and underlying shares of the Company which are discloseable pursuant to Divisions 2 and 3 of Part XV of the SFO, and such interests or short positions recorded in the register required to be kept under section 336 of the SFO are as follows:

Name of Shareholder	Class of shares	Nature of interests <sup>(1)</sup>	Number of underlying shares held <sup>(2)</sup>	Approximate percentage of the class of underlying shares <sup>(2)</sup>	Approximate percentage of total share capital <sup>(2)</sup>
Shandong High-Tech Venture Capital Co., Ltd. <sup>(3)</sup>	Domestic Shares	Beneficial owner	125,000,000	6.44%	4.83%
Lucion Venture Capital Group Co., Ltd. <sup>(3)</sup>	Domestic Shares	Interest in a controlled corporation	125,000,000	6.44%	4.83%
Shandong Lucion Investment Holdings Group Co., Ltd. <sup>(3)</sup>	Domestic Shares	Beneficial owner	2,242,202,580	64.17%	48.13%
	Domestic Shares	Interest in a controlled corporation	225,000,000	6.44%	4.83%

## Changes in Share Capital and Shareholdings of Substantial Shareholders

Name of Shareholder	Class of shares	Nature of interests <sup>(1)</sup>	Number of underlying shares held <sup>(2)</sup>	Approximate percentage of the class of underlying shares <sup>(2)</sup>	Approximate percentage of total share capital <sup>(2)</sup>
Shandong Provincial Finance Bureau <sup>(4)</sup>	Domestic Shares	Interest in a controlled corporation	2,467,202,580	70.61%	52.96%
CNPC Assets Management Co., Ltd. <sup>(5)</sup>	Domestic Shares	Beneficial owner	485,293,750	25.00%	18.75%
CNPC Capital Company Limited <sup>(5)</sup>	Domestic Shares	Interest in a controlled corporation	485,293,750	25.00%	18.75%
CNPC Capital Joint Stock Company with Limited Liability <sup>(5)</sup>	Domestic Shares	Interest in a controlled corporation	485,293,750	25.00%	18.75%
China National Petroleum Corporation <sup>(5)</sup>	Domestic Shares	Interest in a controlled corporation	485,293,750	25.00%	18.75%
State-owned Assets Supervision and Administration Commission of Jinan Municipal People's Government <sup>(6)</sup>	H Shares	Interest in a controlled corporation	252,765,000	21.70%	5.43%
Jinan Finance Holding Group Co., Ltd. <sup>(6)</sup>	H Shares	Beneficial owner	252,765,000	21.70%	5.43%
Qingdao Global Wealth Center Development and Construction Co., Ltd. <sup>(7)</sup>	H Shares	Beneficial owner	232,920,000	19.99%	4.99%
Qingdao Laoshan District Finance Bureau <sup>(7)</sup>	H Shares	Interest in a controlled corporation	232,920,000	19.99%	4.99%
China Create Capital Limited	H Shares	Beneficial owner	64,737,000	10.00%	2.50%
Chang Xin Asset Management Co., Ltd. <sup>(8)</sup>	H Shares	Trustee	113,263,200	9.72%	2.43%
Shandong Development & Investment Holding Group Beneficial Co., Ltd.	H Shares	Beneficial owner	51,272,000	7.92%	1.98%
HWABAO TRUST CO., LTD	H Shares	Trustee	35,974,200	5.59%	1.39%

## Changes in Share Capital and Shareholdings of Substantial Shareholders

### Notes:

- (1) All of the interests refer to long positions.
- (2) The Company completed the issue of new shares by way of the transfer of capital reserve to share capital in January 2019. Since the change in number of shares arising from the capitalisation issue did not constitute reporting obligation pursuant to the SFO, the number of shares held by certain Shareholders as disclosed in the forms of disclosure of interests does not reflect the impact of the capitalisation issue.
- (3) Shandong High-Tech Venture Capital Co., Ltd. ("**Shandong High-Tech**") is a direct wholly-owned subsidiary of Lucion Venture Capital Group Co., Ltd. ("**Lucion Venture Capital**"). Lucion Venture Capital is a non-wholly owned subsidiary owned as to 69.57% by Lucion Group and therefore is deemed to be interested in all of the shares of the Company held by Shandong High-Tech, and Lucion Group is deemed to be interested in all of the shares of the Company held indirectly by Lucion Venture Capital.
- (4) Lucion Group is owned as to 90.39% by Shandong Provincial Finance Bureau and as to 9.61% by Shandong Caixin Assets Operation Co., Ltd. ("**Shandong Caixin**"), and Shandong Caixin is wholly-owned by the Shandong Provincial Finance Bureau. Shandong Provincial Finance Bureau is therefore deemed to be interested in all of the shares of the Company directly and indirectly held by Lucion Group.
- (5) CNPC Assets Management Co., Ltd. ("**CNPC Assets Management**") is a direct wholly-owned subsidiary of CNPC Capital Company Limited ("**CNPC Capital**") and CNPC Capital is wholly-owned by CNPC Capital Joint Stock Company with Limited Liability ("**CNPC**"). CNPC, which is an A share listed company, is held as to 77.35% by China National Petroleum Corporation. Each of CNPC Capital, CNPC and China National Petroleum Corporation are therefore deemed to be interested in all of the shares of the Company held by CNPC Assets Management.
- (6) To the knowledge of the Company, Jinan Finance Holding Group Co., Ltd. has been directly held by Jinan Finance Bureau since 14 February 2022. The number of shares reflected their interests as at 30 June 2022. Since the changes in their interests did not constitute reporting obligation pursuant to the SFO, the updated numbers of shares were not reflected in their forms for disclosure of interest.
- (7) Qingdao Global Wealth Center Development and Construction Co., Ltd. is wholly owned by Qingdao Laoshan District Finance Bureau and Qingdao Laoshan District Finance Bureau is therefore deemed to be interested in all of the shares of the Company held by Qingdao Global Wealth Center Development and Construction Co., Ltd.
- (8) Chang Xin Asset Management Co., Ltd. holds the equity of the Company's shares as a trustee of the trust for the Chang Xin Fund-Dongfang No. 1 Single Asset Management Plan.

# Details of Directors, Supervisors and Senior Management

## PROFILE

### Directors

As at the date of publication of this interim report, members of the Board of Directors include Mr. Wan Zhong (chairperson) and Mr. Fang Hao (general manager) as executive Directors; Mr. Wang Zengye (vice chairperson), Mr. Zhao Zikun and Ms. Wang Bailing as non-executive Directors; Mr. Yen Huai-chiang, Mr. Zheng Wei and Ms. Meng Rujing as independent non-executive Directors.

### Supervisors

As at the date of publication of this interim report, the members of the Board of Supervisors include Mr. Guo Shougui (chairperson), Mr. Hou Zhenkai, Mr. Chen Yong, Mr. Wu Chen and Ms. Wang Zhimei as shareholder representative Supervisors; Ms. Li Yan, Mr. Wei Xiangyang and Mr. Zhang Wenbin as employee representative Supervisors; Ms. Wang Yan as external Supervisor.

### Senior Management

As at the date of publication of this interim report, the members of the senior management include Mr. Fang Hao as general manager, Ms. Zhou Jianqu as vice general manager; Mr. He Chuangye as vice general manager, secretary to the Board of Directors and the company secretary; Mr. Wang Ping as chief financial officer; Mr. Tian Zhiguo as chief risk officer; Mr. Niu Xucheng as vice general manager; Mr. Sun Botao and Mr. Cui Fang as assistants to general manager.

## CHANGES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

### Changes of Directors

Upon the recommendation of the Board of Directors, Mr. Zheng Wei was elected as independent non-executive Director in the first extraordinary general meeting of the Company for the year 2022 held on 30 March 2022. The qualification of Mr. Zheng Wei as independent non-executive Director was approved by the Shandong Office of CBIRC on 5 August 2022. Pursuant to the relevant provisions of applicable laws and regulations and the Articles of Association, Mr. Ding Huiping ceased to serve as an independent non-executive Director due to the expiry of his term of office following the approval of Mr. Zheng Wei's qualification by the Shandong Office of CBIRC.

### Changes of Supervisors

Mr. Tian Zhiguo tendered his resignation as an employee representative Supervisor with effect from 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 with effect from 7 January 2022.

Mr. Zuo Hui tendered his resignation as an employee representative Supervisor with effect from 3 August 2022 due to work commitments. Mr. Wei Xiangyang was elected as an employee representative Supervisor at the employee representative meeting of the Company with effect from 3 August 2022.

### Changes of Senior Management

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. Cui Fang as an Assistant to General Manager of the Company. The qualification of Mr. Cui Fang was approved by the Shandong Office of CBIRC on 26 January 2022.

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

## CORPORATE GOVERNANCE

During the Reporting Period, the Company persistently raised the transparency of corporate governance so as to safeguard the interests of the Shareholders and enhance the corporate value.

The Company has set up a relatively comprehensive corporate governance structure as required by the Listing Rules. The compositions of the Board and the special committees under the Board are in compliance with the requirements of the Listing Rules. The Company clearly classifies the responsibilities among the Shareholders' general meeting, the Board of Directors, the Board of Supervisors and senior management. The Shareholders' general meeting acts as the highest authority of the Company and the Board is held accountable to Shareholders. The Board has established six special committees, which operate under the leadership of the Board and provide opinions on the decisions of the Board. The Board of Supervisors oversees the steady and sound operation of the Company and the performance of duties by the Board and senior management. Under the leadership of the Board, the senior management is responsible for implementation of resolutions from the Board and the day-to-day business and management of the Company, as well as periodic reporting to the Board and the Board of Supervisors.

## 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 practice in order to ensure the compliance with the Corporate Governance Code.

## SHAREHOLDERS' GENERAL MEETING

The Company held the 2022 first extraordinary general meeting in Jinan on 29 March 2022, at which certain resolutions were considered and approved, including the Proposed Adoption of Recovery Plan and Recommendations on Disposal Plan, Proposed Adoption of Interim Measures of Equity Management and Proposed Appointment of Independent Non-Executive Director.

The Company held the 2021 annual general meeting in Jinan on 29 June 2022, at which certain resolutions were considered and approved, including the 2021 Work Report of the Board of Directors, 2021 Work Report of the Independent Directors and 2021 Work Report of the Board of Supervisors.

The Shareholders' general meeting was convened in accordance with relevant laws, regulations and the Listing Rules. The Directors, Supervisors and senior management attended the meeting. The Company announced the poll results of the Shareholders' general meeting in due course in accordance with regulatory requirements.

# Significant Events

## THE BOARD OF DIRECTORS

As at the date of publication of this interim report, the Board of Directors comprised eight Directors, including two executive Directors, three non-executive Directors, and three independent non-executive Directors.

During the Reporting Period, the Company convened 8 meetings of the Board of Directors and considered and approved 41 resolutions, including 2021 Work Report of the General Manager, the Resolution on 2021 Financial Report (Draft) and the 2021 Work Report of the Board of Directors (Draft).

During the Reporting Period, the six committees under the Board of Directors convened a total of 42 meetings and considered and listened to 206 resolutions, including the Resolution on 2021 Annual Report and Annual Results Announcement (Draft) and the 2021 Report on Compliance Risk Management Assessment (Draft).

All Directors shall ensure that they carry out their duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and its Shareholders at all times. The Company has arranged appropriate insurance coverage in respect of liability arising from legal actions against its Directors, and will conduct annual review of the scope of such insurance coverage.

## THE BOARD OF SUPERVISORS

As at the date of publication of this interim report, the Board of Supervisors comprised nine Supervisors. Pursuant to the Articles of Association, at least one-third of our Supervisors must be employee representatives elected by the employees. Ms. Li Yan, Mr. Zhang Wenbin and Mr. Wei Xiangyang are elected by our employees while other Supervisors are elected and appointed by our Shareholders at the Shareholders' general meeting. Each of the Supervisors elected by our employees or by our Shareholders is appointed for a term of three years, which is eligible for re-election and re-appointment.

During the Reporting Period, the Board of Supervisors convened a total of 3 meetings and considered and approved 15 resolutions, including the 2021 Work Report of the Board of Supervisors (Draft).

During the Reporting Period, with a view to be committed to the Shareholders and the Company, the Board of Supervisors has diligently performed its duties of supervision pursuant to applicable laws and regulations and the Articles of Association. The Board of Supervisors continued to improve supervisory methods to improve its effectiveness and pertinence so as to protect the interests of the Shareholders and the Company to further exercise its supervisory and counter balancing under the corporate governance of the Company.

By attending meetings of the Board of Directors and its special committees, general manager's office meetings and other relevant meetings, the Board of Supervisors gets informed of decisions of the Company and information about operation and management in detail, reviews and verifies the financial information, and continuously supervises Directors, Supervisors and senior management's lawful operation and decision-making procedures for major issues. It also reinforces its supervision over Directors, Supervisors, senior management as well as the execution of resolutions of the Shareholders' general meeting, the Board of Directors and the Board of Supervisors by carrying out investigations and studies, conducting visits and interviews and analysing relevant files. Pursuant to the relevant regulatory requirements, it conducted annual performance reviews, and issued evaluation reports on the performance of Directors, Supervisors and senior management.

The Board of Supervisors supervised the regular periodic with the focus on truthfulness, accuracy and completeness of the financial reports, reviewed the annual audit plan, interim review plan and their relevant implementation reports carefully, and guided external audit work. The Board of Supervisors closely monitored the establishment and implementation of the internal control system, the problems identified during the internal audit and the implementation of the rectification of such problems identified. The Board of Supervisors was particularly focused on a sound and organised implementation of the Company's risk management system, providing relevant opinions and suggestions on the implementation of the risk prevention and control work, and improving and perfecting the risk management system. In accordance with changes in regulatory policies and the development needs of the Company, the Board of Supervisors continued to improve its operational capability and supervision level by participating in training, work exchanges and self-learning; and organised annual performance evaluation work and supervised the performance of Supervisors.

## SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management and operation of the business of the Company. Serving as the executive body of the Company, the senior management is responsible for the Board of Directors and is subject to the supervision of the Board of Supervisors. Powers and authority of the senior management and the Board of Directors are divided in strict compliance with the Articles of Association and other corporate governance documents.

During the Reporting Period, the senior management of the Company paid great efforts, duly performed their roles and pragmatically executed each resolution passed at the Shareholders' general meetings and meetings of the Board of Directors. They have not acted against the laws, regulations and the Articles of Association nor have prejudiced the interests of the Company.

## RISK MANAGEMENT AND INTERNAL CONTROL

### Risk Management and Internal Control Systems

The Board of Directors understands that the Board of Directors shall, in accordance with the requirements of the corporate internal control standards and system, establish and execute sound and effective internal controls, undertake to maintain adequate risk management and internal control systems and truthfully disclose the evaluation report of internal controls, to safeguard the Shareholders' investments and the Company's assets, and conduct annual review on the effectiveness of the internal control systems.

During the Reporting Period, details about establishment of the risk management systems, risk management structure and control measures of the Company are set out in "Risk Management" of "Management Discussion and Analysis" section of this interim report.

The internal control of the Company is aimed at ensuring a reasonable legal compliance of operation and management, the safety of assets, the truthfulness and completeness of financial reports and relevant information and the improvement on operational efficiency and effectiveness so as to realise our developmental strategies. We have established an internal control system comprising the regulation system, the benchmark system and the assessment system. To facilitate the improvement of our internal control system, we have comprehensively reviewed various internal procedures of the Company, and we have requested the relevant parties to rectify the problems identified.

In terms of corporate governance, the Board of Directors is ultimately responsible for the sound establishment, effective implementation and overall examination and review of the internal control system. The Board of Supervisors supervised the Board of Directors and the management on the sound establishment, effective implementation and regular review of the Company's internal control system. The management organised and led the daily operation of the internal control of the Company, established and improved the related system of the operational sector of the internal control system, and comprehensively promoted the implementation of the internal control system. The Audit Committee annually reviewed the Company's evaluation report on internal control for the year.

In terms of the Company's operation, the business department is the first line of defence and had established an internal control mechanism of voluntarily implementing the internal control, assessing its own risk exposure, conducting self-correction and reporting in a timely manner. The legal and compliance department as the second line of defence, acts as the functional department for internal control and compliance management. It leads the establishment and maintenance of the internal control system, and supervises and examines the implementation of internal control by a combination of routine and targeted inspections. The Supervision and Audit Department, as the third line of defence, conducts audit and evaluation on the adequacy and effectiveness of internal control, reported problems identified in the audit to the Board of Directors, and provides supervision and follow-up on the rectification.

### Internal Auditing

The Company has adopted an internal audit system and has professional auditors responsible for the independent and objective supervision, examination and evaluation of the Company's conditions such as revenues and expenditures, business activities, risk conditions and internal control. The auditors shall report to the Board of Directors or the Audit Committee and the Board of Supervisors if any material problems are discovered during the audits.

During the Reporting Period, the internal audit organisation of the Company was led by the Board of Directors and consisted of the Audit Committee and the Supervision and Audit Department. The Board of Directors was responsible for supervising, reviewing and evaluating the Company's internal audit to ensure that the internal audit was independent and effective. The Audit Committee was responsible for reviewing the Company's internal audit methods, audit policies and procedures and annual auditing plans and providing guidance and supervision. The Company had adhered to the principles of independence, objectivity, prudence, efficiency, importance and pertinence during the internal auditing process. The Company's internal audit system was comprehensive covering business operation, risk management, internal control and corporate governance.

Under the leadership of the Audit Committee, the Supervision and Audit Department organised and coordinated the Company's annual internal audit during the Reporting Period based on the annual internal audit work plan for 2022. In addition, the Company organised the risk management and internal control assessment team as well as relevant departments to closely cooperate with the external auditors in the work of internal control audit of financial statements. The internal control audit has performed auditing for all key processes and control points related to major accounting subjects. The external auditors regularly communicated with the management on audit results.

During the Reporting Period, the Company continued to promote the concept that “prioritises compliance, requires all staff to comply with laws and regulations consciously and encourages staff to create value when complying with laws and regulations”. It established a compliance management system that “defines rules on internal control, sets restrictions on each department, specifies responsibility of each position, sets procedures for all operation, requires supervision over all processes, demands close monitoring on risks, request performance assessment, and sets clear accountability”. The Company maintained a sound development of internal control management, enhanced the execution of internal control measures, and optimised the establishment of risk control system. Details are as follows:

- (1) The Company audited 2021 operating activities, business performance and internal management of the Company. The Company attached great importance to the implementation of internal control, development of regulation system and compliance system of the Company, as well as the enhancement of risk management and control and the ability to withstand risk. The Company actively provided advice and suggestions for the optimisation of corporate operation and management and enhancing corporate value, so as to perform obligation of internal auditors to supervise;
- (2) The Company objectively evaluated the development of 2021 internal control system of the Company, carrying out the evaluation of internal controls in terms of control environment, risk assessments, control activities, information and communication and internal supervision of the Company. The Company provided remedial measures for the possible internal control deficiencies, constantly improving and streamlining the internal control system of the Company;
- (3) The Company conducted targeted inspections on existing business on a regular basis and focused on the compliance of business implementation, completeness of duty performance and validity of internal supervision in terms of projects approval, due diligence review, project approval, project establishment and duration management, so as to improve standard business management;
- (4) The Company conducted dynamic monitoring on the quality of the system data used in the trust business, supervising the processing of system data used in the trust business and the progress of the upgrade and perfection works through regular full-scope checking and random testing, with an aim to ensure the accuracy of system data for its businesses and provide great support for improving efficiency of operation and management;
- (5) The Company conducted targeted inspections on related party transaction management work and focused on the construction and implementation of relevant systems and the operational compliance of related party transaction business; and
- (6) The Company conducted targeted audit on the collateral management of existing trust projects with risk measure as “mortgage and pledge” items, focusing on the collateral management system and process, risk management, collateral investigation and evaluation, and establishment and duration management of mortgages and pledges.

During the Reporting Period, the Board of Directors had reviewed the risk management and internal control systems of the Group and considered the systems to be adequate and effective.

## PROFITS AND DIVIDENDS DISTRIBUTION

Targeted at sustainable development and safeguarding the rights and interests of Shareholders, the Company attached great importance to reasonable investment returns to the public shareholders. On the premise of complying with relevant provisions of laws, regulations and regulatory policies, the Company implemented sustainable and stable dividend distribution policies. The distribution of dividends of the Company will be considered depending on factors such as (including but not limited to), our results of operations, cash flow, financial position, requirements on net capital, capital adequacy ratio, business prospect and statutory, regulatory and contractual restrictions in relation to our declaration and payment of dividends, as well as other factors the Board of Directors may consider important. Profit distribution of the Company shall not exceed the amount of cumulative distributable profit. Any proposed distribution of dividends shall be formulated by our Board of Directors and will be subject to approval of general meeting.

The Company will not declare the interim dividend for the year 2022.

## CHANGE OF REGISTERED CAPITAL AND CAPITAL STRUCTURE AND CHANGE OF SHAREHOLDING OF SHAREHOLDERS

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

## PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

During the Reporting Period, there had been no material changes to the Articles of Association. The Articles of Association is available on the websites of the Company and the Hong Kong Stock Exchange.

## MATERIAL LEGAL PROCEEDINGS AND ARBITRATION

As at 30 June 2022, the Company, being the plaintiff and applicant, was involved in 11 pending material litigations or arbitration cases, of which the amount in dispute was more than RMB10 million; the value of the litigation or arbitration cases in which the Company was involved totalled approximately RMB5,170.29 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 30 June 2022, the Company, being the defendant and respondent, was not involved in pending material litigations or arbitration cases.

## DISPOSAL THROUGH PUBLIC TENDER PROCEDURES

The Company disposed of the Equity Interest in Fullgoal Fund and Ruiyuan No.76 Debt through public tender procedures (collectively, the "**Disposal**"). The equity transfer agreement and debt transfer agreement (collectively, the "**Transfer Agreements**") (as amended by the supplemental agreements) were entered into on 23 May 2022 with Shandong Financial Asset Management Co., Ltd. (the "**Purchaser**") in respect to the Disposal. Pursuant to the Transfer Agreements, the Company conditionally agreed to sell, and the Purchaser conditionally agreed to acquire, the Equity Interest in Fullgoal Fund and the Ruiyuan No.76 Debt at a consideration of RMB4,038,817,800 and RMB1,000,000,000, respectively.

The transfers of the Equity Interest in Fullgoal Fund and the Ruiyuan No.76 Debt constitute notifiable transactions of the Company under Chapter 14 of the Listing Rules. Since the Purchaser is a non-wholly owned subsidiary of Lucion Group, which in turn is the controlling shareholder of the Company, the Purchaser is therefore a connected person of the Company under the Listing Rules. Thus, each of the Transfer Agreements and the transactions contemplated thereunder constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

According to the public tender procedures and bidding conditions, the Purchaser shall acquire both of the Equity Interest in Fullgoal Fund and the Ruiyuan No.76 Debt. Since the Transfer Agreements were both entered into with the Purchaser and inter-conditional, and the transfers of the Equity Interest in Fullgoal Fund and the Ruiyuan No.76 Debt will take place within the same 12-month period, the Company shall aggregate the Transfer Agreements and treat them as one transaction in accordance with Rules 14.22 and 14A.81 of the Listing Rules. Since one or more of the applicable percentage ratio(s) (on an aggregated basis) (as defined under the Listing Rules) in respect of the Transfer Agreements and the transactions contemplated thereunder exceed 75%, the Disposal constitutes a very substantial disposal and connected transaction of the Company under Chapter 14 and Chapter 14A of the Listing Rules respectively, and are subject to the reporting, announcement, circular and independent shareholders' approval requirements under the Listing Rules.

The Transfer Agreements and the transactions contemplated thereunder have been considered and approved by independent shareholders at the 2022 second extraordinary general meeting held on 15 July 2022. As at the date of publication of this interim report, the transfers of the Equity Interest in Fullgoal Fund and the Ruiyuan No.76 Debt have not been completed.

Save as disclosed in this interim report, during the Reporting Period, the Company had no material assets acquisition, sale and merger.

## **PENALTIES IMPOSED ON THE COMPANY AND ITS DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT**

During the Reporting Period, the Company, and its Directors, Supervisors and senior management were not subject to any penalty.

## **IMPLEMENTATION OF EQUITY INCENTIVE PLAN**

During the Reporting Period, the Company did not implement any equity incentive plan.

## **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.

## MAJOR CLIENTS AND SUPPLIERS

During the Reporting Period, the aggregate trustee's remuneration of the Company's top five trust schemes in terms of trustee's remunerations accounted for less than 30% of the Company's total fee and commission income during the relevant period.

To the knowledge of the Directors, none of the Directors, Supervisors and their respective close associates or any Shareholders holding more than 5% of the issued share capital of the Company has any interest in any of the trustor clients and counterparty clients of the Company's five largest trust schemes in terms of trustee's remuneration during the Reporting Period.

The Company has no major suppliers due to the nature of its businesses.

## MODEL CODE FOR CONDUCTING SECURITIES TRANSACTIONS

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

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

## DIRECTORS' AND SUPERVISORS' INTERESTS IN MATERIAL TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

During the Reporting Period, none of the Directors or Supervisors directly or indirectly had any material interest in any material transaction, arrangement or contract in relation to the Company's business, to which the Company, any of its subsidiaries or fellow subsidiaries, if any, was a party.

## DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES OR DEBENTURES

During the Reporting Period, none of the Directors, Supervisors, chief executive of the Company or their respective associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (as defined in Part XV of the SFO) which were required to be entered into the register kept by the Company pursuant to section 352 of the SFO or which they were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

## **DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

During the Reporting Period, the Company had not been a party to any arrangement that would enable the Directors or Supervisors to benefit from the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors and Supervisors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

## **PROVISIONAL REPORT ON MATERIAL ISSUES**

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

## **AUDIT COMMITTEE**

The Audit Committee has reviewed the interim results of the Company for the six months ended 30 June 2022 and the financial statements for the six months ended 30 June 2022 prepared in accordance with IFRS.

## **AUDITOR**

With the approval of the 2021 annual general meeting, ShineWing Certified Public Accountants LLP and SHINEWING (HK) CPA Limited were re-appointed as the external auditors of the Company, with effect from the end of the 2021 annual general meeting and to hold office until the conclusion of the next annual general meeting of the Company.

SHINEWING (HK) CPA Limited was appointed as the auditor to review the financial information for the six months ended 30 June 2022 prepared in accordance with the IFRS. The interim financial information disclosed in this interim report has not been audited. The enclosed interim condensed consolidated financial information prepared in accordance with the IFRS has been reviewed by SHINEWING (HK) CPA Limited.

## **SUBSEQUENT EVENTS**

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

# Report on Review of Interim Condensed Consolidated Financial Information



SHINEWING (HK) CPA Limited  
17/F, Chubb Tower, Windsor House,  
311 Gloucester Road,  
Causeway Bay, Hong Kong

信永中和(香港)會計師事務所有限公司  
香港銅鑼灣告士打道311號  
皇室大廈安達人壽大樓17樓

**TO THE BOARD OF DIRECTORS OF SHANDONG INTERNATIONAL TRUST CO., LTD.**  
*(incorporated in the People's Republic of China with limited liability)*

## INTRODUCTION

We have reviewed the interim condensed consolidated financial information of Shandong International Trust Co., Ltd. (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 71 to 127, which comprise the interim condensed consolidated statement of financial position as of 30 June 2022 and the related interim condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 ("**IAS 34**") "Interim Financial Reporting" issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of these interim condensed consolidated financial information in accordance with IAS 34. Our responsibility is to express a conclusion on these interim condensed consolidated financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the International Auditing and Assurance Standards Board. A review of these interim condensed consolidated financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial information are not prepared, in all material respects, in accordance with IAS 34.

**SHINEWING (HK) CPA Limited**  
*Certified Public Accountants*  
**Chan Wing Kit**  
Practising Certificate Number: P03224

Hong Kong  
30 August 2022

# Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2022

	Notes	Six months ended 30 June	
		2022	2021
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Fee and commission income	5	519,484	488,446
Interest income	6	37,600	442,397
Net changes in fair value on financial assets at fair value through profit or loss and investments in associates measured at fair value	7	35,869	(135,419)
Investment income	8	36,664	170,696
Net gains on disposal of investments in associates		–	41,196
Other operating income		1,680	2,985
<b>Total operating income</b>		<b>631,297</b>	<b>1,010,301</b>
Interest expenses	9	(58,637)	(300,498)
Staff costs (including directors' and supervisors' emoluments)	10	(93,649)	(74,673)
Depreciation and amortisation		(15,611)	(8,247)
Change in net assets attributable to other beneficiaries of consolidated structured entities		46,026	(26,683)
Tax and surcharges		(6,199)	(8,050)
Administrative expenses		(43,059)	(30,708)
Impairment losses on financial assets, net of reversal	11	(1,347,287)	(335,745)
<b>Total operating expenses</b>		<b>(1,518,416)</b>	<b>(784,604)</b>
Share of results of investments in associates accounted for using the equity accounting method		191,254	239,626
<b>(Loss)/profit before income tax</b>		<b>(695,865)</b>	<b>465,323</b>
Income tax credit/(expense)	12	221,594	(64,381)
<b>Net (loss)/profit attributable to shareholders of the Company</b>		<b>(474,271)</b>	<b>400,942</b>

Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income  
For the six months ended 30 June 2022

	Notes	Six months ended 30 June	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
<b>Net (loss)/profit attributable to shareholders of the Company</b>		(474,271)	400,942
<b>Other comprehensive (expense)/income</b> <i>Items that may be reclassified subsequently to profit or loss:</i>			
Share of other comprehensive (expense)/income from investments in associates accounted for using the equity accounting method	26	(3,199)	8,387
<b>Total other comprehensive (expense)/income, net of tax</b>		(3,199)	8,387
<b>Total comprehensive (expense)/income attributable to shareholders of the Company</b>		(477,470)	409,329
<b>Basic and diluted (loss)/earnings per share attributable to shareholders of the Company (in RMB yuan)</b>	13	(0.10)	0.09
<b>Total comprehensive (loss)/income for the period attributable to shareholders of the Company arises from:</b>			
Continuing operations		(477,470)	409,329

# Interim Condensed Consolidated Statement of Financial Position

As at 30 June 2022

	Notes	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment		121,104	121,933
Investment properties		139,491	141,374
Right-of-use assets		74,297	11,980
Intangible assets		25,232	24,318
Investments in associates	14	914,948	2,072,304
Financial assets at fair value through profit or loss	20	1,237,941	1,427,659
Loans to customers	15	6,301,849	8,214,294
Financial investments-amortised cost	16	1,823,025	887,634
Advance payments		14,175	15,434
Deferred income tax assets	17	936,716	617,708
Other non-current assets	18	48,107	18,331
<b>Total non-current assets</b>		<b>11,636,885</b>	<b>13,552,969</b>
<b>Current assets</b>			
Cash and bank balances	19	186,098	1,586,596
Financial assets at fair value through profit or loss	20	2,491,474	1,736,800
Financial assets purchased under resale agreements	21	1,334,575	697,607
Loans to customers	15	375,590	1,172,586
Trustee's remuneration receivable		190,846	200,148
Advance payments		4,893	7,000
Other current assets	22	110,974	108,841
Assets classified as held for sale	23	4,694,450 2,131,727	5,509,578 –
<b>Total current assets</b>		<b>6,826,177</b>	<b>5,509,578</b>
<b>Total assets</b>		<b>18,463,062</b>	<b>19,062,547</b>
<b>EQUITY</b>			
Share capital	24	4,658,850	4,658,850
Capital reserve	24	143,285	143,285
Statutory surplus reserve	25	952,314	952,314
Statutory general reserve	25	1,141,068	1,141,068
Other reserves	26	(3,359)	(160)
Retained earnings		3,281,590	3,755,861
<b>Total equity</b>		<b>10,173,748</b>	<b>10,651,218</b>

Interim Condensed Consolidated Statement of Financial Position  
As at 30 June 2022

	Notes	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Salary and welfare payable		82,324	21,551
Lease liabilities		52,443	7,090
Net assets attributable to other beneficiaries of consolidated structured entities	27	141,426	567,839
<b>Total non-current liabilities</b>		<b>276,193</b>	<b>596,480</b>
<b>Current liabilities</b>			
Short-term borrowings	28	2,004,991	1,604,227
Lease liabilities		13,502	4,320
Salary and welfare payable		60,312	94,450
Net assets attributable to other beneficiaries of consolidated structured entities	27	2,271,570	4,717,136
Income tax payable		66,203	99,756
Other current liabilities	29	3,596,543	1,294,960
<b>Total current liabilities</b>		<b>8,013,121</b>	<b>7,814,849</b>
<b>Total liabilities</b>		<b>8,289,314</b>	<b>8,411,329</b>
<b>Net current liabilities</b>		<b>(1,186,944)</b>	<b>(2,305,271)</b>
<b>Total equity and liabilities</b>		<b>18,463,062</b>	<b>19,062,547</b>

The interim financial information was approved and authorised for issue by the Board of Directors on 30 August 2022 and signed on its behalf by :

**Mr. Wan Zhong**  
Director

**Mr. Fang Hao**  
Director

# Interim Condensed Consolidated Statement of Changes In Equity

For the six months ended 30 June 2022

	Share capital (Note 24) RMB'000	Capital reserve (Note 24) RMB'000	Statutory surplus reserve (Note 25) RMB'000	Statutory general reserve (Note 25) RMB'000	Other reserves (Note 26) RMB'000	Retained earnings RMB'000	Total RMB'000
(Unaudited)							
<b>At 1 January 2022</b>	4,658,850	143,285	952,314	1,141,068	(160)	3,755,861	10,651,218
Net loss for the period	–	–	–	–	–	(474,271)	(474,271)
Other comprehensive expense for the period	–	–	–	–	(3,199)	–	(3,199)
<b>Total comprehensive expense</b>	–	–	–	–	(3,199)	(474,271)	(477,470)
<b>Balance at 30 June 2022</b>	4,658,850	143,285	952,314	1,141,068	(3,359)	3,281,590	10,173,748
(Unaudited)							
<b>At 1 January 2021</b>	4,658,850	143,285	903,941	892,695	(7,735)	3,584,088	10,175,124
Net profit for the period	–	–	–	–	–	400,942	400,942
Other comprehensive income for the period	–	–	–	–	8,387	–	8,387
<b>Total comprehensive income</b>	–	–	–	–	8,387	400,942	409,329
<b>Balance at 30 June 2021</b>	4,658,850	143,285	903,941	892,695	652	3,985,030	10,584,453

# Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2022

	Note	Six months ended 30 June	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
<b>OPERATING ACTIVITIES</b>			
(Loss)/profit before income tax		(695,865)	465,323
Adjustments for:			
Depreciation and amortisation		15,611	8,247
Impairment losses on financial assets, net of reversal	11	1,347,287	335,745
Net changes in fair value on financial assets at fair value through profit or loss and investments in associates measured at fair value		(35,869)	135,419
Change in net assets attributable to other beneficiaries of consolidated structured entities		(46,026)	26,683
Share of results of investments in associates accounted for using the equity accounting method		(191,254)	(239,626)
Net gains on disposal of investments in associates		–	(41,196)
Interest expense for financing activities		53,164	32,164
Dividend income from financial assets		(7,461)	(5,171)
Operating cash flows before movements in working capital		439,587	717,588
(Increase)/decrease in financial assets at fair value through profit or loss		(548,993)	293,684
Decrease/(increase) in loans to customers		501,670	(1,311,254)
(Increase)/decrease in financial investments-amortised cost		(1,063,996)	50,288
Increase in financial assets purchased under resale agreements		(636,968)	(487,853)
Net decrease in net assets attributable to other investors of consolidated structured entities		(2,825,953)	(682,233)
Net (increase)/decrease in other operating assets		(30,152)	118,442
Net (decrease)/increase in other operating liabilities		(171,082)	25,234
Cash used in operating activities before income tax		(4,335,887)	(1,276,104)
Income tax paid		(130,967)	(21,118)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>		<b>(4,466,854)</b>	<b>(1,297,222)</b>

## Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2022

	Notes	Six months ended 30 June	
		2022	2021
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
<b>INVESTING ACTIVITIES</b>			
Dividends received from investments in associates accounted for using the equity accounting method		233,590	120,394
Dividends received from financial assets		7,461	5,171
Purchase of property and equipment, intangible assets and other long-term assets		(7,933)	(2,139)
Deposit received for assets classified as held for sale	23	2,499,300	–
Acquisition of investment in associates		–	(69,560)
Proceeds from disposal of investments in associates		–	182,700
Proceeds from disposal of property and equipment, intangible assets and other long-term assets		–	71
<b>NET CASH GENERATED FROM INVESTING ACTIVITIES</b>		<b>2,732,418</b>	<b>236,637</b>
<b>FINANCING ACTIVITIES</b>			
Proceeds from short-term loans		2,000,000	1,600,000
Repayment of short-term loans		(1,600,000)	(100,000)
Interest paid		(52,400)	(32,164)
Repayment of lease liabilities		(13,662)	(311)
<b>NET CASH GENERATED FROM FINANCING ACTIVITIES</b>		<b>333,938</b>	<b>1,467,525</b>
Effect of exchange rate changes		–	(68)
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(1,400,498)</b>	<b>406,872</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>		<b>1,586,596</b>	<b>969,535</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	19	<b>186,098</b>	<b>1,376,407</b>
Net cash flows from operating activities including:			
Interest received		78,065	380,374
Interest paid		53,185	554,126

# Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

## 1. GENERAL

Shandong International Trust Co., Ltd. (“**Shandong Trust**” or the “**Company**”) is a non-bank financial institution incorporated in Shandong Province, the People’s Republic of China (the “**PRC**”) on 10 March 1987 with the approval from People’s Bank of China (“**PBOC**”) and Shandong Provincial Government. The Company was transformed from a wholly state-owned company to a limited liability company in August 2002 and further transformed to a joint stock limited company in July 2015. The Company completed its public offering on 8 December 2017 and its shares were listed on The Stock Exchange of Hong Kong Limited on the same day. As at 30 June 2022, the amount of share capital was RMB4,658,850,000 with a par value of RMB1 per share.

The Company is controlled by Shandong Lucion Investment Holdings Group Co., Ltd (“**Lucion Group**”), which aggregately owns 52.96% of the shares of the Company as at 30 June 2022. 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 information of the Company’s consolidated structured entities is provided in Note 30.

## 2. BASIS OF PREPARATION

The interim condensed consolidated financial information of the Group for the six months ended 30 June 2022 have been prepared in accordance with International Accounting Standards (“**IAS**”) 34, “Interim financial reporting” issued by the International Accounting Standards Board (“**IASB**”) and the applicable requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

### Going concern assessment

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

As at 30 June 2022, the Group’s current liabilities exceeded its current assets by RMB1,187 million, with current assets of RMB6,826 million and current liabilities of RMB8,013 million. As at 30 June 2022, the Group had cash and bank balances totalling RMB186 million. As at 30 June 2022, the Group’s current liabilities included RMB2,272 million in respect of net assets attributable to other beneficiaries of consolidated structured entities.

## 2. BASIS OF PREPARATION (CONTINUED)

### Going concern assessment (Continued)

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 Articles of Associations of the Company, Lucion Group as the parent company of the Company has an obligation to offer necessary financial support upon the request of the Company in the event of 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 twelve months from 30 June 2022 through measures including but not limited to the following:

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

The Directors of the Company have reviewed the Group's cash flow projections prepared by management, which cover a period of not less than twelve months from 30 June 2022. They are of the opinion that, taking into account the abovementioned measures, in particular, the financial support from Lucion Group, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within twelve months from 30 June 2022. Accordingly, the Directors of the Company are satisfied that it is appropriate to prepare the interim condensed consolidated financial information on a going concern basis.

### 3. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies used in the interim condensed consolidated financial information are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2021, except as described below.

Certain comparative figures have been reclassified to conform to the current period's presentation.

In the current interim period, the Group has applied, for the first time, the following amendments to International Financial Reporting Standards ("IFRSs") issued by the IASB which are effective for the Group's financial year beginning 1 January 2022.

Amendment to IFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 16	Property, plant and Equipment: Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendment to IFRSs	Annual Improvements to IFRSs 2018 – 2020 cycle

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

### 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group continually evaluates the significant accounting estimates and judgements applied based on historical experience and other factors, including reasonable expectations of future events. The critical accounting estimates and key assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are consistent with these policies applied in preparing the consolidated financial statements for the year ended 31 December 2021.

## 5. FEE AND COMMISSION INCOME

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
<b>Fee and commission income from:</b>		
Trustee's remuneration	519,484	488,446

## 6. INTEREST INCOME

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
<b>Interest income from:</b>		
Cash and bank balances	539	3,201
Loans to customers	24,941	427,610
Financial investments-amortised cost	1,583	112
Financial assets purchased under resale agreements	10,294	10,411
Contribution to Trust Industry Protection Fund (note (i) below)	243	1,063
<b>Total</b>	<b>37,600</b>	<b>442,397</b>

Note:

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

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

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
<b>Net changes in fair value arising from:</b>		
Financial assets at fair value through profit or loss		
– Mutual funds	(9,001)	(135,615)
– Trust schemes	(11,588)	5,556
– Unlisted companies	27,206	(18,345)
– Listed shares	1,660	(23,072)
– Bonds and other asset management products	7,686	45,100
	15,963	(126,376)
Investments in associates (Note 14(c))	19,906	(9,043)
Total	35,869	(135,419)

## 8. INVESTMENT INCOME

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
<b>Dividends income from:</b>		
Financial assets at fair value through profit or loss	7,461	5,171
<b>Net realised gains from disposal of:</b>		
Financial assets at fair value through profit or loss	29,203	165,525
Total	36,664	170,696

**9. INTEREST EXPENSES**

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest accrued on borrowings from China Trust Protection Fund Co., Ltd.	53,164	32,164
Third-party beneficiaries' interests (note (i) below)	4,582	268,249
Others	891	85
<b>Total</b>	<b>58,637</b>	<b>300,498</b>

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 interim condensed consolidated statement of financial position (Note 27).

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

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Salaries and bonuses	76,815	62,858
Pension costs (defined contribution plans)	5,558	3,499
Housing funds	4,429	3,307
Labour union fee and staff education expenses	1,851	1,527
Other social security and benefit costs	4,996	3,482
<b>Total</b>	<b>93,649</b>	<b>74,673</b>

## 11. IMPAIRMENT LOSSES ON FINANCIAL ASSETS, NET OF REVERSAL

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Loans to customers	1,207,771	346,434
Financial investments-amortised cost	128,605	(1,312)
Trustee's remuneration receivable	6,166	(1,534)
Others	4,745	(7,843)
<b>Total</b>	<b>1,347,287</b>	<b>335,745</b>

## 12. INCOME TAX (CREDIT)/EXPENSE

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current income tax	97,414	188,284
Deferred income tax (Note 17)	(319,008)	(123,903)
<b>Total</b>	<b>(221,594)</b>	<b>64,381</b>

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 (loss)/profit before income tax per the interim condensed consolidated statement of profit or loss and other comprehensive income as follows:

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
(Loss)/profit before income tax	(695,865)	465,323
Tax calculated at a tax rate of 25%	(173,966)	116,331
Tax effect arising from income not subject to tax (note (i) below)	(47,814)	(52,338)
Tax effect of expenses that are not deductible for tax purposes	186	388
<b>Income tax (credit)/expense</b>	<b>(221,594)</b>	<b>64,381</b>

Note:

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

### 13. BASIC AND DILUTED (LOSS)/EARNINGS PER SHARE AND DIVIDENDS

#### (a) Basic (loss)/earnings per share

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

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net (loss)/profit attributable to shareholders of the Company	(474,271)	400,942
Weighted average number of ordinary shares in issue	4,658,850	4,658,850
Basic (loss)/earnings per share (in RMB yuan)	(0.10)	0.09

#### (b) Diluted (loss)/earnings per share

For the six months ended 30 June 2022 and 2021, there were no potential diluted ordinary shares and therefore the diluted (loss)/earnings per share were the same as the basic (loss)/earnings per share.

#### (c) Dividends

No dividends were paid, declared or proposed by the Company during the six months ended 30 June 2022 (six months ended 30 June 2021: Nil). The directors of the Company have determined that no dividend will be paid for the six months ended 30 June 2022.

## 14. INVESTMENTS IN ASSOCIATES

- (a) The amounts recognised in the interim condensed consolidated financial information are as follows:

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
<b>Associates of the Company, measured at equity accounting method:</b>		
Fullgoal Fund Management Co., Ltd. ("Fullgoal Fund") (note (b)(i) below)	–	1,174,603
Taishan Property & Casualty Insurance Co., Ltd. (note (b)(ii) below)	188,919	199,435
Sinotruk Auto Finance Co., Ltd. (note (b)(ii) below)	213,657	209,241
Dezhou Bank Co., Ltd. (note (b)(ii) below)	123,310	119,333
Anhui Luxin Equity Investment Fund Management Co., Ltd. (note (b)(ii) below)	2,696	3,090
<b>Gross amount</b>	<b>528,582</b>	<b>1,705,702</b>
Less: Impairment	–	–
<b>Subtotal</b>	<b>528,582</b>	<b>1,705,702</b>
<b>Associates indirectly held by the Group through consolidated structured entities, measured at equity accounting method:</b>		
Others (note (b)(ii) below)	19,142	19,284
<b>Gross amount</b>	<b>19,142</b>	<b>19,284</b>
Less: Impairment	(2,000)	(2,000)
<b>Subtotal</b>	<b>17,142</b>	<b>17,284</b>

## 14. INVESTMENTS IN ASSOCIATES (CONTINUED)

- (a) The amounts recognised in the interim condensed consolidated financial information are as follows: (Continued)

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
<b>Associates indirectly held by the Group through consolidated structured entities, measured at fair value:</b>		
Nanyang Liangheng Real Estate Co., Ltd.	88,849	88,849
Huangshi Liangsheng Real Estate Development Co., Ltd.	116,238	116,238
Nanyang Zhongliang Chengtong Real Estate Co., Ltd.	63,059	63,059
Ankang Liangsheng Jiye Property Co., Ltd.	56,330	36,424
Yunnan Hongshan City Investment Co., Ltd.	27,928	27,928
Weifang Hengru Real Estate Co., Ltd.	16,820	16,820
<b>Subtotal</b>	<b>369,224</b>	<b>349,318</b>
<b>Total</b>	<b>914,948</b>	<b>2,072,304</b>

- (b) Investments in associates, measured at equity accounting method

Set out below was the significant associate of the Group as at 31 December 2021 which, in the opinion of the directors, was material to the Group. The country of incorporation or registration is also their principal place of business.

Name of entity	Place of business/ country of incorporation	% of ownership interest	Measurement method
Fullgoal Fund Management Co., Ltd.	Shanghai, China	16.675%	Equity

The Group had one seat on the board of Fullgoal Fund Management Co., Ltd. and, in the opinion of the directors, the Group had the power to participate in the significant financial and operating decisions of the company and accordingly, the company was accounted for as an associate of the Group. The Group therefore determined that it had significant influence over the entity.

Investment in Fullgoal Fund Management Co., Ltd. was classified as "Assets classified as held for sale" in accordance with IFRS 5 during the period ended 30 June 2022. Details are set out in note 23.

## 14. INVESTMENTS IN ASSOCIATES (CONTINUED)

### (b) Investments in associates, measured at equity accounting method (Continued)

#### (i) Summarised financial information as at 31 December 2021 for the significant associate – Fullgoal Fund Management Co., Ltd.

##### Summarised statement of financial position

	31 December 2021 RMB'000 (Audited)
Current assets	11,343,261
Non-current assets	1,277,681
<b>Total assets</b>	<b>12,620,942</b>
Current liabilities	(3,916,118)
Non-current liabilities	(1,660,728)
<b>Total liabilities</b>	<b>(5,576,846)</b>
<b>Net assets</b>	<b>7,044,096</b>

##### Summarised statement of profit or loss and other comprehensive income

	Six months ended 30 June 2021 RMB'000 (Unaudited)
Revenue	3,998,339
Profit for the year	1,241,634
Other comprehensive expense	(3,695)
<b>Total comprehensive income</b>	<b>1,237,939</b>
<b>Dividends received from an associate</b>	<b>120,394</b>

The information above reflects the amounts presented in the financial statements of the associate (and not the Group's share of those amounts) adjusted for differences in accounting policies between the Group and the associate.

## 14. INVESTMENTS IN ASSOCIATES (CONTINUED)

### (b) Investments in associates, measured at equity accounting method (Continued)

#### (ii) Reconciliation of summarised financial information of insignificant associates, measured at equity accounting method

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
<b>Carrying amount at the beginning of the period</b>	<b>548,383</b>	<b>1,509,227</b>
Acquisition during the period	–	65,233
Disposal during the period	–	(1,096,895)
Share of results for the period	3,301	54,837
Other comprehensive (expense)/income for the period	(5,819)	8,889
Cash dividend received	–	(9,705)
Others (note (i) below)	(141)	16,797
<b>Carrying amount at the end of the period</b>	<b>545,724</b>	<b>548,383</b>

Note:

- (i) For the six months ended 30 June 2022, the amount mainly reflected the changes of the Group's share of net assets of certain associates regarding to the contribution of additional share capital to these associates from other investors.

### (c) Investments in associates, measured at fair value

The Group holds investments in those associates indirectly through consolidated structured entities. The Group elected to measure them at fair value through profit and loss.

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
<b>Carrying amount at the beginning of the period</b>	<b>349,318</b>	<b>863,729</b>
Acquisition during the period	–	43,560
Disposal during the period	–	(182,700)
Fair value changes (Note 7)	19,906	(9,043)
<b>Carrying amount at the end of the period</b>	<b>369,224</b>	<b>715,546</b>

## 15. LOANS TO CUSTOMERS

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

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Corporate loans-at amortised cost	8,870,735	11,400,623
Including: issued by the Company	–	2,000,000
issued by the consolidated structured entities	8,870,735	9,400,623
Interest receivable	3,560	193,609
Loans to customers, gross	8,874,295	11,594,232
Less: expected credit loss (“ECL”) allowance – loans	(2,196,661)	(2,057,573)
ECL allowance – Interest receivable	(195)	(149,779)
Loans to customers, net	6,677,439	9,386,880
Presented as:		
Non-current assets	6,301,849	8,214,294
Current assets	375,590	1,172,586
Loans to customers, net	6,677,439	9,386,880

## 15. LOANS TO CUSTOMERS (CONTINUED)

## (b) Movement of corporate loans

	Stage 1 RMB'000 (Unaudited)	Stage 2 RMB'000 (Unaudited)	Stage 3 RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
<b>Balance as at 1 January 2022</b>	861,378	750,000	9,789,245	11,400,623
Repayments	(425,538)	–	–	(425,538)
Transfers:	160,000	(750,000)	(1,514,350)	(2,104,350)
<i>Transfer from Stage 2 to Stage 1</i>	160,000	(160,000)	–	–
<i>Transfer from Stage 2 to Stage 3</i>	–	(590,000)	590,000	–
<i>Transfer out to financial investments- amortised cost (note (i) below)</i>	–	–	(104,350)	(104,350)
<i>Transfer out to assets classified as held for sale (note (ii) below)</i>	–	–	(2,000,000)	(2,000,000)
<b>Balance as at 30 June 2022</b>	595,840	–	8,274,895	8,870,735

	Stage 1 RMB'000 (Audited)	Stage 2 RMB'000 (Audited)	Stage 3 RMB'000 (Audited)	Total RMB'000 (Audited)
<b>Balance as at 1 January 2021</b>	5,514,950	60,000	8,657,299	14,232,249
Additions (note (iii) 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>	861,378	750,000	9,789,245	11,400,623

Notes:

- (i) During the period ended 30 June 2022, certain loans to customers were transferred to financial investments-amortised cost as a result of the Group acquired the rights of certain financial assets at amortised cost from trust schemes.
- (ii) During the period ended 30 June 2022, a loan to customer was classified as “Assets classified as held for sale” in accordance with IFRS 5. Details are set out in note 23.
- (iii) During the year ended 31 December 2021, the addition of stage 3 corporate loans were a result of the Group acquired the rights of certain loans from trust schemes.

## 15. LOANS TO CUSTOMERS (CONTINUED)

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

	Stage 1 12-month ECL RMB'000 (Unaudited)	Stage 2 Lifetime ECL RMB'000 (Unaudited)	Stage 3 Lifetime ECL RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
<b>Balance as at 1 January 2022</b>	18,089	53,330	1,986,154	2,057,573
Provision for impairment	(138)	–	1,228,616	1,228,478
Transfers:	13,336	(53,330)	(1,049,396)	(1,089,390)
<i>Transfer from Stage 2 to Stage 1</i>	13,336	(13,336)	–	–
<i>Transfer from Stage 2 to Stage 3</i>	–	(39,994)	39,994	–
<i>Transfer out to financial investments- amortised cost (note (i) below)</i>	–	–	(89,390)	(89,390)
<i>Transfer out to assets classified as held for sale (note (ii) below)</i>	–	–	(1,000,000)	(1,000,000)
<b>Balance as at 30 June 2022</b>	31,287	–	2,165,374	2,196,661

	Stage 1 12-month ECL RMB'000 (Audited)	Stage 2 Lifetime ECL RMB'000 (Audited)	Stage 3 Lifetime ECL RMB'000 (Audited)	Total RMB'000 (Audited)
<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 (iii) below)	(5,494)	–	–	(5,494)
<b>Balance as at 31 December 2021</b>	18,089	53,330	1,986,154	2,057,573

Note:

- (i) During the period ended 30 June 2022, certain loans to customers were transferred to financial investments-amortised cost as a result of the Group acquired the rights of certain financial assets at amortised cost from trust schemes.
- (ii) During the period ended 30 June 2022, a loan to customer was classified as “Assets classified as held for sale” in accordance with IFRS 5. Details are set out in note 23.
- (iii) This item includes PD, EAD, LGD changes due to routine updates to model parameters.

## 16. FINANCIAL INVESTMENTS-AMORTISED COST

### (a) Analysis of financial investments-amortised cost:

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Financial investments-amortised cost, gross	2,201,172	1,090,714
Less: ECL allowance	(378,147)	(203,080)
Financial investments-amortised cost, net	1,823,025	887,634

### (b) Movement of principals

	Stage 1 RMB'000 (Unaudited)	Stage 2 RMB'000 (Unaudited)	Stage 3 RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
<b>Balance as at 1 January 2022</b>	–	–	1,090,714	1,090,714
Additions (note (i) below)	124,301	866,337	118,569	1,109,207
Transfer from loans to customers (Note 15(b)(i))	–	–	14,960	14,960
Repayments	(8,517)	(5,192)	–	(13,709)
<b>Balance as at 30 June 2022</b>	115,784	861,145	1,224,243	2,201,172

	Stage 1 RMB'000 (Audited)	Stage 2 RMB'000 (Audited)	Stage 3 RMB'000 (Audited)	Total RMB'000 (Audited)
<b>Balance as at 1 January 2021</b>	51,600	–	14,297	65,897
Additions (note (i) below)	–	–	1,076,417	1,076,417
Repayments	(51,600)	–	–	(51,600)
<b>Balance as at 31 December 2021</b>	–	–	1,090,714	1,090,714

Note:

- (i) During the period ended 30 June 2022 and year ended 31 December 2021, the addition of stages 1, 2, and 3 financial assets at amortised cost was a result of the Group acquired the rights of certain financial assets at amortised cost from trust schemes.

## 16. FINANCIAL INVESTMENTS-AMORTISED COST (CONTINUED)

### (c) Movements of ECL allowance

	Stage 1 12-month ECL RMB'000 (Unaudited)	Stage 2 Lifetime ECL RMB'000 (Unaudited)	Stage 3 Lifetime ECL RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
<b>Balance as at 1 January 2022</b>	–	–	203,080	203,080
Provision for impairment	6,810	78,656	89,601	175,067
<b>Balance as at 30 June 2022</b>	<b>6,810</b>	<b>78,656</b>	<b>292,681</b>	<b>378,147</b>

	Stage 1 RMB'000 (Audited)	Stage 2 RMB'000 (Audited)	Stage 3 RMB'000 (Audited)	Total RMB'000 (Audited)
<b>Balance as at 1 January 2021</b>	1,312	–	14,297	15,609
Provision for impairment	–	–	188,783	188,783
Reversal of impairment allowances	(1,312)	–	–	(1,312)
<b>Balance as at 31 December 2021</b>	<b>–</b>	<b>–</b>	<b>203,080</b>	<b>203,080</b>

## 17. DEFERRED INCOME TAX ASSETS AND LIABILITIES

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset income tax assets against income tax liabilities and when the deferred income taxes related to income taxes levied by the same taxation authority.

The movements for deferred tax assets and liabilities recognised are as follows:

	At 1 January 2022 RMB'000 (Audited)	Charged to profit or loss RMB'000 (Unaudited)	At 30 June 2022 RMB'000 (Unaudited)
Deferred income tax assets:			
Impairment allowances for assets	673,926	316,260	990,186
Staff salary and welfare payable	29,000	6,659	35,659
Fair value changes of financial assets at fair value through profit or loss	8,101	(1,197)	6,904
Subtotal	711,027	321,722	1,032,749
Deferred income tax liabilities:			
Fair value changes of financial assets at fair value through profit or loss	(68,425)	2,337	(66,088)
Others	(24,894)	(5,051)	(29,945)
Subtotal	(93,319)	(2,714)	(96,033)
Net deferred income tax assets	617,708	319,008	936,716

## 17. DEFERRED INCOME TAX ASSETS AND LIABILITIES (CONTINUED)

The movements for deferred tax assets and liabilities recognised are as follows: (Continued)

	At 1 January 2021 RMB'000 (Audited)	Charged to profit or loss RMB'000 (Audited)	At 31 December 2021 RMB'000 (Audited)
Deferred income tax assets:			
Impairment allowances for assets	417,885	256,041	673,926
Staff salary and welfare payable	27,508	1,492	29,000
Fair value changes of financial assets at fair value through profit or loss	7,630	471	8,101
Subtotal	453,023	258,004	711,027
Deferred income tax liabilities:			
Fair value changes of financial assets at fair value through profit or loss	(107,302)	38,877	(68,425)
Others	(29,962)	5,068	(24,894)
Subtotal	(137,264)	43,945	(93,319)
Net deferred income tax assets	315,759	301,949	617,708

## 18. OTHER NON-CURRENT ASSETS

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Investment in artwork, net	9,402	9,402
Investment in artwork, gross	46,740	46,740
Less: Impairment allowance	(37,338)	(37,338)
Receivable from the court (Note 31(b))	13,174	–
Contribution to Trust Industry Protection Fund on behalf of trust schemes (note (i) below)	10,218	8,929
Other	15,313	–
<b>Total</b>	<b>48,107</b>	<b>18,331</b>

Note:

- (i) The amount represents the subscription of contribution to the Trust Industry Protection Fund in connection with financing trust schemes. For detailed requirements of Trust Industry Protection Fund, please refer to note 20.

## 19. CASH AND BANK BALANCES

### (a) Cash and bank balances

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Cash at banks	155,944	286,920
Other monetary assets	30,154	1,299,676
<b>Total</b>	<b>186,098</b>	<b>1,586,596</b>

Other monetary assets represent cash deposited in securities company.

## 19. CASH AND BANK BALANCES (CONTINUED)

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

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Cash at banks	155,944	286,920
Other monetary assets	30,154	1,299,676
<b>Total</b>	<b>186,098</b>	<b>1,586,596</b>

## 20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Equity investments		
Listed shares	10,951	7,809
Unlisted entities	1,237,941	1,213,665
Asset management products (note (i) below)	228,847	194,741
Mutual funds	1,391,993	1,032,197
Bonds	284,916	388,825
Investments in trust schemes	456,769	213,994
Investments in Trust Industry Protection Fund (note (ii) below)	117,998	113,228
<b>Total</b>	<b>3,729,415</b>	<b>3,164,459</b>
Presented as:		
Non-current assets	1,237,941	1,427,659
Current assets	2,491,474	1,736,800
<b>Financial assets at fair value through profit or loss, net</b>	<b>3,729,415</b>	<b>3,164,459</b>

## 20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

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 CBIRC and Ministry of Finance of the PRC ("MOF") on 10 December 2014 (YJF[2014]No. 50) and relevant requirements in the notice issued by the CBIRC on 25 February 2015 (YJBF[2015]No. 32) concerning Detailed Procedures of Collection and Administration of Trust Industry Protection Fund, trust companies in China are required to make contributions to the Trust Industry Protection Fund (the "Fund") that was established and managed by China Trust Protection Fund Co., Ltd., a company established jointly by China Trust Association and certain trust companies in China.

The amount of contributions to the Fund consists of the following components:

- 1% of the trust company's net assets at the end of proceeding financial year as each trust company's own contribution;
- 1% of total proceeds received from issuance of each trust product. For financing trust schemes, the Fund is subscribed by the borrower through the trust company. For trust products which invest in standardised financial products, the Fund is contributed by the trust company;
- For non-cash asset related trust products, the Fund is contributed by the trust company at 5% of total trustee's remuneration.
- 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.

## 21. FINANCIAL ASSETS PURCHASED UNDER RESALE AGREEMENTS

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Government bonds	1,334,575	697,607

## 22. OTHER CURRENT ASSETS

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Contribution to Trust Industry Protection Fund on behalf of trust schemes (Note 20)	–	2,709
Receivable from the court (Note 31(b))	–	13,174
Amount due from an immediate holding company	–	1,214
Others, net	110,974	91,744
Others, gross	116,280	107,383
Less: ECL allowance	(5,306)	(15,639)
	110,974	108,841

### 23. ASSETS CLASSIFIED AS HELD FOR SALE

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Investment in an associate	1,131,727	–
Loan to a customer	1,000,000	–
	<b>2,131,727</b>	–

During the six months period ended 30 June 2022, the directors of the Company resolved to dispose the investment of Equity Interest in Fullgoal Fund and the Ruiyuan No.76 Debt (collectively as “**Assets Held for Sale**”). The assets and liabilities attributable to the Assets Held for Sale, which are expected to be sold within twelve months, have been classified as assets held for sale and are presented separately in the interim condensed consolidated statement of financial position.

Investment of Equity Interest in Fullgoal Fund and the Ruiyuan No.76 Debt was classified as Asset classified as held for asset in accordance with IFRS 5. Subsequent to initial recognition, the net proceeds of disposal are expected to exceed the net carrying amount of the relevant assets and liabilities and accordingly, no impairment loss has been recognised.

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Liability directly associated with asset classified as held for sale (included in other current liabilities)		
Deposit received	2,499,300	–

## 24. SHARE CAPITAL AND CAPITAL RESERVE

All shares of the Company issued are fully paid common shares. The par value per share is RMB1 Yuan.

The Company's shares are as follows:

	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Number of shares authorised and issued ('000)	4,658,850	4,658,850
Share capital (RMB'000)	4,658,850	4,658,850

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 at 30 June 2022, the Group's capital reserve is shown as follows:

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Share premium	122,797	122,797
Others	20,488	20,488
Total	143,285	143,285

## 25. STATUTORY SURPLUS RESERVE AND STATUTORY GENERAL RESERVE

	Statutory surplus reserve (note (i) below) RMB'000	Statutory general reserve (note (ii) below) RMB'000
Balance at 1 January 2021 (Audited)	903,941	892,695
Appropriation (Audited)	48,373	248,373
Balance at 31 December 2021 (Audited), 1 January 2022 (Audited) and 30 June 2022 (Unaudited)	952,314	1,141,068

Notes:

### (i) Statutory surplus reserve

Pursuant to the relevant PRC regulations, the Company is required to transfer 10% of its net profit to the non-distributable statutory surplus reserve. Appropriation to the statutory surplus reserve may cease when the balance of this reserve has reached 50% of registered capital. Subject to the approval of general meeting of shareholders, the statutory surplus reserve can be used for replenishing accumulated losses or increasing the Company's ordinary share capital. The amount of statutory surplus reserve used to increase the ordinary share capital is limited to a level where the balance of the statutory surplus reserve after such capitalisation is not less than 25% of the ordinary share capital.

### (ii) Statutory general reserve

#### **General risk reserve**

Pursuant to Caijin 2012 No. 20 "Requirements on General Risk Reserve for Financial Institutions" (the "Requirement") effective on 1 July 2012, the Company establishes a statutory general risk reserve within equity through the appropriation of profit to address unidentified potential impairment risks. The statutory general reserve should not be less than 1.5% of the aggregate amount of risk assets as defined by the Requirement.

#### **Trust compensation reserve**

Pursuant to Article 49 of "Administrative Rules on Trust Companies" issued by the CBIRC (2007 No.2), the Company is required to appropriate 5% of its net profit to the trust compensation reserve, and such appropriation may cease when it reaches 20% of the Company's registered capital. The Board of Directors of the Company had approved to change the appropriation ratio from 5% to 10% in 2015.

## 26. OTHER RESERVES

	Pre-tax amount RMB'000	Tax charge RMB'000	Net of tax RMB'000
Balance at 1 January 2022 (Audited)	(160)	–	(160)
Share of other comprehensive expense of investments in associates accounted for using the equity accounting method (Unaudited)	(3,199)	–	(3,199)
Balance at 30 June 2022 (Unaudited)	(3,359)	–	(3,359)
Balance at 1 January 2021 (Audited)	(7,735)	–	(7,735)
Share of other comprehensive income of investments in associates accounted for using the equity accounting method (Audited)	7,575	–	7,575
Balance at 31 December 2021 (Audited)	(160)	–	(160)

## 27. NET ASSETS ATTRIBUTABLE TO OTHER BENEFICIARIES OF CONSOLIDATED STRUCTURED ENTITIES

Net assets attributable to other beneficiaries of consolidated structured entities represent other beneficiaries' share of net assets of the Company's consolidated structured entities. For detail information of consolidated structured entities, please refer to Note 30(b).

## 28. SHORT-TERM BORROWINGS

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Borrowings from China Trust Protection Fund Co., Ltd.	2,004,991	1,604,227

**29. OTHER CURRENT LIABILITIES**

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Payable to National Council for Social Security Fund (note (i) below)	227,452	227,452
Pre-distribution from investments in associates	236,093	174,842
Placement from borrowers (note (ii) below)	469,101	194,022
Value-added tax and surtax payable for trust schemes (note (iii) below)	57,240	46,342
Other tax payables	31,212	5,623
Deferred trustee's remuneration fee income	41,460	30,792
Payable to unconsolidated structured entities managed by the Group (note (iv) below)	16,671	596,349
Deposit received for assets classified as held for sale (Note 23) (note (v) below)	2,499,300	–
Others	18,014	19,538
<b>Total</b>	<b>3,596,543</b>	<b>1,294,960</b>

## Notes:

- (i) The amounts represent proceeds from disposal of the Company's shares attributable to National Council for Social Security Fund upon initial public offering ("IPO").
- (ii) The amounts represent the subscription amounts collected by the Group from the borrowers of its financing trust schemes, which will then be contributed to the Trust Industry Protection Fund on behalf of such borrowers.
- (iii) In accordance with the Notice on Value-Added Tax of Asset Management products (Cai Shui (2017) No. 56) issued by the Ministry of Finance and the State Administration of Taxation, the Company is subject to VAT which is calculated at the rate of 3% of taxable investment income of trust schemes from 1 January 2018.
- (iv) The amounts represent proceeds from disposal of assets of the unconsolidated structured entities managed by the Group, which will then be distributed to that unconsolidated structured entities.
- (v) The amounts represent the deposit of RMB2,500,000,000 received for the disposal of Asset Held for Sale through Shandong Financial Assets Trade Centre Co., Ltd. ("SFATC"), in which handling charge of RMB700,000 was deducted by SFATC.

## 30. STRUCTURED ENTITIES

### (a) Structured entities that are not consolidated

#### (i) *Unconsolidated structured entities managed by the Group*

The unconsolidated structured entities managed by the Group are trust schemes established and managed by the Group as trustee. Based on the analysis and research of the potential target customers, the Group designs and offers trust products to meet the needs of its customers. The proceeds raised are then invested in relevant financial markets or financial products in accordance with the contractual terms of the trust agreements. Investment return shall be allocated to investors according to the contractual agreements. The Group receives remuneration as the trustee of these trust schemes and is entitled to investment return from the trust schemes in which the Group has made investment. The Group considers its exposure to variability of returns (being the trustee's remunerations and investment return if any, on an aggregate basis) from its involvement with these structured entities is not significant and hence it does not consolidate these structured entities.

As at 30 June 2022, the volume of unconsolidated trust schemes established and managed by the Group amounted to RMB161,440 million (31 December 2021: RMB144,937 million). The Group's maximum exposure to these unconsolidated structured entities in regarding to the trustee's remuneration receivables amounted to RMB190,846 thousand at 30 June 2022 (31 December 2021: RMB200,148 thousand). The Group invests in some of these structured entities, which are recognised as financial assets at fair value through profit or loss or financial investments at amortised cost.

#### (ii) *Unconsolidated structured entities invested by the Group*

As at 30 June 2022 and 31 December 2021, the Group invested in a number of structured entities managed by third parties. These investments in structured entities are classified as financial assets at fair value through profit or loss. The Group did not provide financial or other support to these structured entities

### 30. STRUCTURED ENTITIES (CONTINUED)

(a) Structured entities that are not consolidated (Continued)

(iii) *The carrying value and the Group's maximum exposure (excluding trustee's remuneration receivables disclosed previously) to these unconsolidated structured entities*

	Carrying value RMB'000	Maximum exposure to loss RMB'000	Total volume of structured entities RMB'000
At 30 June 2022			
<b>Unconsolidated structured entities managed and invested by the Group</b>			
– Financial assets at fair value through profit or loss	456,769	456,769	3,533,001
– Financial investments-amortised cost	1,019,687	1,019,687	1,253,181
	1,476,546		
<b>Unconsolidated structured entities managed by the third parties</b>			
– Mutual funds	1,391,993	1,391,993	Note (i) below
– Asset management products	228,847	228,847	Note (i) below
– Investments in Trust Industry Protection Fund	117,998	117,998	Note (i) below
	1,738,838		
At 31 December 2021			
<b>Unconsolidated structured entities managed and invested by the Group</b>			
– Financial assets at fair value through profit or loss	213,994	213,994	1,565,185
– Financial investments-amortised cost	63,235	63,235	205,688
	277,229		
<b>Unconsolidated structured entities managed by the third parties</b>			
– Mutual funds	936,750	936,750	Note (i) below
– Asset management products	194,741	194,741	Note (i) below
– Investments in Trust Industry Protection Fund	104,500	104,500	Note (i) below
	1,235,991		

Note:

(i) Total volume of these structured entities is not available in the public information.

### 30. STRUCTURED ENTITIES (CONTINUED)

#### (b) Consolidated structured entities

Consolidated structured entities include trust schemes established and managed by the Group in which the Group considers several factors including, among other things, the scope of its decision-making authority over the structured entities, the rights held by other parties, the remuneration to which it is entitled in accordance with the related agreements for the assets management services, the Group's exposure to variability of returns from other interests that it holds in the structured entities. The underlying assets of these consolidated structured entities are mainly included in the balances of investment properties, cash and bank balances, financial investments-amortised cost, loans to customers, investments in associates and financial assets at FVTPL and other current assets.

At 30 June 2022, the number of consolidated trust schemes established and managed by the Company were 28 (31 December 2021: 32) and total volume of consolidated trust schemes amounted to RMB5,965 million (31 December 2021: RMB12,053 million).

For trust schemes that may not be able to realise payments from underlying investments in accordance with the due date set out in the original contract (the "Distressed trusts"), the Group ordinarily has the discretion to provide liquidity or other support, after evaluating various factors including the potential reputational implications to the Group, relationships with investors, as well as the likelihood of ultimately recovering payments from the underlying assets of the trust schemes. As soon as Distressed trust meets the criteria of a consolidated structured entity, it will be consolidated by the Group. As at 30 June 2022, total assets of such Distressed trusts amounted to RMB7,448 million (31 December 2021: RMB7,586 million), and impairment allowance of RMB1,668 million had been made (31 December 2021: RMB1,535 million).

### 31. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

#### (a) Capital commitment

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Contracted but not yet incurred	3,145	2,520

These capital commitments mainly relate to purchase of intangible assets.

## 31. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

### (b) Legal proceedings

The Group believes the possibility of the loss of legal proceedings that remained outstanding as at 30 June 2022, which the Group were interested party, was low. Therefore, so no provision was required.

On 23 November 2021, the private lending dispute between Rizhao Hainadijing Real Estate Co., Ltd. ("**Rizhao Dijing**") and Shandong Qixing Real Estate Company ("**Shandong Qixing**") was ruled by The High People's Court of Shandong Province to send back to The Primary People's Court of Zouping City ("**Zouping Court**") for retrial. On 18 July 2022, Zouping Court ruled that the Company shall assume the supplementary compensation liability for the payment of RMB100 million and related interests by Rizhao Dijing to Shandong Qixing. As at the date of this report, the Company has filed an appeal to The Intermediate People's Court of Binzhou City against the judgements of the retrial of Zouping Court.

As at 31 December 2021, Zouping Court has deducted RMB13.17 million from the Company's bank account. As at 30 June 2022, receivable from the Zouping Court of RMB13.17 million has been reclassified as non-current asset as the Group believes that the appeal filed to The Intermediate People's Court of Binzhou City on 29 July 2022 will be completed after one year from 30 June 2022.

Based on the above facts and relevant legal provisions, the Company believes that the claims of Shandong Qixing has no facts and legal basis and should be rejected in accordance with the law. Therefore, the Company has not accrued the estimated liabilities for the case.

## 32. RELATED PARTY TRANSACTIONS

The Company is controlled by Lucion Group, which aggregately owns 52.96% of the shares of the Company at 30 June 2022. Lucion Group is controlled by Shandong Provincial Department of Finance. CNPC Assets Management Co., Ltd. ("**CNPC AMC**"), holds 18.75% of the Company's shares and has significant influence over the Company.

The Company's directors were of the view that Lucion Group, CNPC AMC and their subsidiaries were considered as related parties of the Group. Certain trust schemes were also considered as related parties of the Group. Transactions with key management personnel have been disclosed in Note 32(d) below. The Group's transactions with related parties are conducted under the ordinary course of business.

### (a) Transactions with trust schemes considered to be related parties of the Group

During the six months ended 30 June 2022 and the year ended 31 December 2021, certain trust schemes were considered to be related parties if they are either controlled by the Group or Lucion Group.

	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Number of trust schemes controlled by the Group (Note 30(b))	28	32
Number of trust schemes controlled by Lucion Group (excluding those controlled by the Group)	13	14

Total entrusted assets of the trust schemes controlled by Lucion Group (excluding those controlled by the Group) are as follows:

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Total entrusted assets of trust schemes controlled by Lucion Group	2,626,259	4,154,059

The Group's remuneration from trust schemes controlled by Lucion Group is as follows:

	Six months ended 30 June 2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Fee and commission income	1,402	16,463

## 32. RELATED PARTY TRANSACTIONS (CONTINUED)

### (b) Related parties as trustors of trust schemes

During the six months ended 30 June 2022 and the year ended 31 December 2021, Lucion Group and its subsidiaries, joint ventures and associates have acted as the trustors of certain trust schemes established and managed by the Group.

#### (i) Related parties as trustors of consolidated trust schemes

Related parties' interests in these consolidated trust schemes are reported as other liabilities in the Group's interim condensed consolidated statement of financial position (Note 29).

	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Number of trust schemes where the related parties act as trustors	1	1
Interests of related parties in these consolidated trust schemes (RMB'000)	(10,502)	(10,054)

Investment return/(loss) have been accounted for as interest expense or net changes in fair value on financial assets at fair value through profit or loss and investments in associates measured at fair value in the Group's interim condensed consolidated statement of profit or loss and other comprehensive income:

	Six months ended 30 June 2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Net changes in fair value on financial assets at fair value through profit or loss and investments in associates measured at fair value	-	(75)

#### (ii) Related parties as trustors of unconsolidated trust schemes of the Group

	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Number of unconsolidated trust schemes where related parties acts as trustors	19	22
Assets entrusted by related parties (RMB'000)	3,927,258	3,557,059
Total entrusted assets of these unconsolidated trust schemes (RMB'000)	5,330,498	8,299,659

## 32. RELATED PARTY TRANSACTIONS (CONTINUED)

### (b) Related parties as trustors of trust schemes (Continued)

#### (ii) Related parties as trustors of unconsolidated trust schemes of the Group (Continued)

Trustee's remuneration received or receivable from such trust schemes has been accounted for as fee and commission income in the Group's interim condensed consolidated statement of profit or loss and other comprehensive income, and is illustrated below:

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Fee and commission income	4,667	19,526

### (c) Related parties financed by trust schemes

#### (i) Related parties financed by unconsolidated trust schemes of the Group

	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Number of unconsolidated trust schemes which provide financing to related parties	6	13
Amount financed (RMB'000)	869,500	1,999,670
Total entrusted assets of these unconsolidated trust schemes (RMB'000)	869,500	2,095,169

Trustee's remuneration received or receivable from such trust schemes have been accounted for as fee and commission income in the Group's interim condensed consolidated statements of profit or loss and other comprehensive income, and are illustrated below:

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Fee and commission income	10,762	8,789

## 32. RELATED PARTY TRANSACTIONS (CONTINUED)

### (c) Related parties financed by trust schemes (Continued)

#### (ii) Related parties financed by consolidated trust schemes of the Group

	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Number of consolidated trust schemes which provide financing to related parties	–	2
Amount financed (RMB'000)	–	177,865
Total entrusted assets of these consolidated trust schemes (RMB'000)	–	198,445

Interest received or receivable from such trust schemes have been accounted for as interest income in the Group's interim condensed consolidated statements of profit or loss and other comprehensive income, and are illustrated below:

	Six months ended 30 June 2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Interest income	–	17,142

### (d) Related parties transactions with key management personnel and their immediate family members

Key management personnel are those persons who have the authority and responsibility to plan, direct and control the activities of the Group, including directors, supervisors, and senior management personnel.

#### (i) Key management compensation

The compensation paid to key management personnel is shown below:

	Six months ended 30 June 2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Salaries and allowances	3,375	3,274
Discretionary bonuses	1,905	3,403
Pension	218	158
Other social security obligations	331	254
Total	5,829	7,089

## 32. RELATED PARTY TRANSACTIONS (CONTINUED)

### (d) Related parties transactions with key management personnel and their immediate family members (Continued)

#### (i) Key management compensation (Continued)

The compensation payable to key management personnel is shown below:

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Discretionary bonuses payable	1,905	7,595

#### (ii) Key management personnel and their immediate family members' personal investments in trust schemes managed by the Company

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Key management's personal investments in trust schemes	3,013	1,911
Total entrusted assets of these trust schemes	507,244	412,018

Trustee's total remuneration received or receivable from such trust schemes have been accounted for as fee and commission income in the Group's interim condensed consolidated statements of profit or loss and other comprehensive income, and are illustrated below:

	Six months ended 30 June 2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Fee and commission income	1,122	2,835

## 32. RELATED PARTY TRANSACTIONS (CONTINUED)

### (e) Other significant related party transactions

During the six months ended 30 June 2022, the Group had the following significant transactions with related parties:

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
System maintenance expenses paid to Luxin Technology Co., Ltd.	2,200	3,741
Guarantee fee paid to Lucion Group	3,852	2,697
Employee services and benefits paid to Jinan Luxin Asset Management Co., Ltd.	1,038	–
Lease payment to Jinan Luxin Asset Management Co., Ltd.	2,666	–

### (f) The Group and other government related entities

Other than disclosed above and also in other relevant notes in the interim condensed consolidated financial information, some of the trust schemes managed by the Group are entered into with government authorities, agencies, affiliates and other state-owned entities who mainly act as the trustors. Management considers that these transactions are activities conducted in the ordinary course of business, and that the dealings of the Group have not been significantly or unduly affected by the fact that the Group and those entities are government related. The Group has also established pricing policies for such kind of trust schemes, and such pricing schemes do not depend on whether or not the counterparties are government authorities, agencies, affiliates and other state-owned entities.

### 33. SEGMENT ANALYSIS

#### (a) Operating segments

	Six months ended 30 June 2022			
	Proprietary business RMB'000 (Unaudited)	Trust business RMB'000 (Unaudited)	Unallocated RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Fee and commission income	–	519,484	–	519,484
Interest income	36,616	984	–	37,600
Net changes in fair value on financial assets at fair value through profit or loss and investments in associates measured at fair value	35,869	–	–	35,869
Investment income	36,664	–	–	36,664
Other operating income	1,680	–	–	1,680
<b>Total operating income</b>	<b>110,829</b>	<b>520,468</b>	<b>–</b>	<b>631,297</b>
Interest expenses	(58,637)	–	–	(58,637)
Staff costs (including directors and supervisors' emoluments)	(2,704)	(90,945)	–	(93,649)
Administrative expenses	(959)	(42,100)	–	(43,059)
Depreciation and amortisation	(13,728)	(1,883)	–	(15,611)
Change in net assets attributable to other beneficiaries of consolidated structured entities	46,026	–	–	46,026
Tax and surcharges	(703)	(5,496)	–	(6,199)
Impairment losses on financial assets, net of reversal	(1,347,287)	–	–	(1,347,287)
<b>Total operating expenses</b>	<b>(1,377,992)</b>	<b>(140,424)</b>	<b>–</b>	<b>(1,518,416)</b>
Share of results of investments in associates accounted for using the equity accounting method	191,254	–	–	191,254
<b>(Loss)/profit before income tax</b>	<b>(1,075,909)</b>	<b>380,044</b>	<b>–</b>	<b>(695,865)</b>

	30 June 2022			
	Proprietary business RMB'000 (Unaudited)	Trust business RMB'000 (Unaudited)	Unallocated RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
<b>Segment assets</b>	<b>16,935,887</b>	<b>1,358,006</b>	<b>169,169</b>	<b>18,463,062</b>
<b>Segment liabilities</b>	<b>7,994,017</b>	<b>285,299</b>	<b>9,998</b>	<b>8,289,314</b>

### 33. SEGMENT ANALYSIS (CONTINUED)

#### (a) Operating segments (Continued)

	Six months ended 30 June 2021			
	Proprietary business RMB'000 (Unaudited)	Trust business RMB'000 (Unaudited)	Unallocated RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Fee and commission income	–	488,446	–	488,446
Interest income	441,924	473	–	442,397
Net changes in fair value on financial assets at fair value through profit or loss and investments in associates measured at fair value	(135,419)	–	–	(135,419)
Investment income	170,696	–	–	170,696
Net gains on disposal of investments in associates	41,196	–	–	41,196
Other operating income	2,985	–	–	2,985
<b>Total operating income</b>	<b>521,382</b>	<b>488,919</b>	<b>–</b>	<b>1,010,301</b>
Interest expenses	(300,498)	–	–	(300,498)
Staff costs (including directors and supervisors' emoluments)	(1,949)	(72,724)	–	(74,673)
Administrative expenses	(1,143)	(29,565)	–	(30,708)
Depreciation and amortisation	(550)	(7,697)	–	(8,247)
Change in net assets attributable to other beneficiaries of consolidated structured entities	(26,683)	–	–	(26,683)
Tax and surcharges	(6,358)	(1,692)	–	(8,050)
Impairment losses on financial assets	(335,745)	–	–	(335,745)
<b>Total operating expenses</b>	<b>(672,926)</b>	<b>(111,678)</b>	<b>–</b>	<b>(784,604)</b>
Share of results of investments in associates accounted for using the equity accounting method	239,626	–	–	239,626
<b>Profit before income tax</b>	<b>88,082</b>	<b>377,241</b>	<b>–</b>	<b>465,323</b>
	31 December 2021			
	Proprietary business RMB'000 (Audited)	Trust business RMB'000 (Audited)	Unallocated RMB'000 (Audited)	Total RMB'000 (Audited)
<b>Segment assets</b>	<b>17,800,323</b>	<b>1,122,514</b>	<b>139,710</b>	<b>19,062,547</b>
<b>Segment liabilities</b>	<b>8,186,157</b>	<b>205,634</b>	<b>19,538</b>	<b>8,411,329</b>

### 34. SUBSEQUENT EVENTS

The Group has no material events that requires additional disclosure after 30 June 2022.

### 35. FINANCIAL RISK MANAGEMENT

#### Overview

The Group's activities expose it to a variety of financial risks: market risk (primarily price risk and interest rate risk), credit risk and liquidity risk. Risk management is key to the business operation of the Group. The Group aims to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Group's financial performance.

The main business of the Group includes trust business and proprietary business. The Group considers risk monitoring, mitigation, resolution and disposition as critical procedures to manage the risk of its trust business, as any failure to identify, mitigate, resolve or dispose of risks of each trust scheme may materially and adversely affect the reputation and financial performance of the Group. The Group has established a comprehensive risk management framework which include a three-level risk management system with clear responsibilities assigned to each level as follows:

- Level 1 system is the Strategies and Risk Management Committee of the Board of Directors which is responsible for defining the risk appetite, risk management policies and internal control policies of the Company;
- Level 2 system is at the level of senior management including the Company's General Manager, Vice General managers and the Chief Risk Officer, who are responsible for overseeing the Company's daily risk management functions and activities in accordance with the Company's risk tolerance level and risk management and internal control polices as approved by the Board of Directors;
- Level 3 system mainly refer to relevant business and functional departments of the Company, including mainly Trust Business Departments, Risk Management Department, Legal & Compliance Department and Asset Disposition Department which are mainly responsible for risks identification, mitigation, monitoring, reporting, and resolution.

## 35. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Credit risk

#### (a) *Forward-looking information incorporated in the ECL models*

The calculation of ECL incorporates forward-looking information. The Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit loss.

The Group selects a series of macroeconomic indicators (including business climate index and real estate climate index) based on industry practices and expert judgments, and then establishes a statistical relationship between the actual default probability and macroeconomic factors for model exposures. The result of macroeconomic indicators forecasts will form the basis for impairment calculation and represent “forward-looking” elements of credit risk allowance in different scenarios.

The Group provides three possible scenarios along with scenario weightings to ensure non-linearities are captured. The number of scenarios and their attributes are reassessed at each reporting date. At 30 June 2022 and 31 December 2021, for all portfolios, the Group concluded that three scenarios appropriately captured non-linearities. The scenario weightings are determined by a combination of statistical analysis and expert credit judgement, taking account of the range of possible outcomes each chosen scenario is representative of. These probability weighted ECLs are determined by running each scenario through the relevant ECL model and multiplying it by the appropriate scenario weighting (as opposed to weighting the inputs).

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Group considers these forecasts to represent its best estimate of the possible outcomes and has analysed the non-linearities and asymmetries within the Group’s different portfolios to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

#### *Economic variable assumptions*

The scenarios “base”, “upside” and “downside” were used for all portfolios. The weightings assigned to each economic scenario at 30 June 2022 were 50%, 20%, 30% respectively (31 December 2021: same).

## 35. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Credit risk (Continued)

#### (a) Forward-looking information incorporated in the ECL models (Continued)

##### Sensitivity analysis

The ECL outcome is sensitive to judgement and estimations made with regards to the formulation and incorporation of multiple forward-looking economic conditions described above. As a result, management assessed and considered the sensitivity of the ECL outcome against the forward-looking economic conditions as part of the ECL governance process by recalculating the ECL for selected portfolios where 100% weighting is assigned to each of the three scenarios described above. The weighting is reflected in the measurement of the resulting ECL. This analysis excludes any management adjustment. Further details on management adjustment is provided below.

The three economic scenarios are generated to capture the Company's view of a range of possible forecast economic conditions that is sufficient for the calculation of unbiased and probability weighted ECL. Therefore, the ECLs calculated for each of the scenarios represent a range of possible outcomes that is being evaluated while arriving at the ECL. As a result, the ECL calculated for the Upside and Downside scenarios should not be taken to represent the upper and lower limits of possible actual ECL outcomes. The ECL sensitivity below represents an estimate based on the underlying point-in-time distribution of economic scenarios which have the potential to change rapidly as economic conditions evolve where we operate. The recalculated ECLs for each of the scenarios should be read in the context of the sensitivity analysis as a whole.

IFRS 9 ECL sensitivity of loans to customers and financial investments-amortised cost to future economic conditions:

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
ECL weighted exposure	2,574,908	2,260,653
Base scenario	2,543,380	2,234,510
Upside scenario	2,681,868	2,308,042
Downside scenario	2,481,255	2,201,249

### 35. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### Credit risk (Continued)

#### (b) Maximum exposure to credit risk – Financial instruments subject to impairment

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The gross carrying amount of financial assets below also represents the Group's maximum exposure to credit risk on these assets.

	Gross carrying amount RMB'000 (Unaudited)	30 June 2022 Loss allowance RMB'000 (Unaudited)	Carrying amount RMB'000 (Unaudited)
Cash and bank balances (Stage 1)	186,098	–	186,098
Financial assets purchased under resale agreements (Stage 1)	1,334,575	–	1,334,575
Loans to customers (including interest receivable)	8,874,295	(2,196,856)	6,677,439
Stage 1	599,400	(31,482)	567,918
Stage 2	–	–	–
Stage 3	8,274,895	(2,165,374)	6,109,521
Financial investments-amortised cost (including interest receivable)	2,201,172	(378,147)	1,823,025
Stage 1	115,784	(6,810)	108,974
Stage 2	861,145	(78,656)	782,489
Stage 3	1,224,243	(292,681)	931,562
Other financial assets-amortised cost	367,242	(31,758)	335,484
Stage 1	311,250	(10,960)	300,290
Stage 2	35,488	(3,272)	32,216
Stage 3	20,504	(17,526)	2,978
<b>Total</b>	<b>12,963,382</b>	<b>(2,606,761)</b>	<b>10,356,621</b>

### 35. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### Credit risk (Continued)

#### (b) Maximum exposure to credit risk – Financial instruments subject to impairment (Continued)

	31 December 2021		
	Gross carrying amount RMB'000 (Audited)	Loss allowance RMB'000 (Audited)	Carrying amount RMB'000 (Audited)
Cash and bank balances (Stage 1)	1,586,596	–	1,586,596
Financial assets purchased under resale agreements (Stage 1)	697,607	–	697,607
Loans to customers (including interest receivable)	11,594,232	(2,207,352)	9,386,880
Stage 1	905,209	(18,089)	887,120
Stage 2	750,000	(53,330)	696,670
Stage 3	9,939,023	(2,135,933)	7,803,090
Financial investments-amortised cost (including interest receivable)	1,090,714	(203,080)	887,634
Stage 1	–	–	–
Stage 2	–	–	–
Stage 3	1,090,714	(203,080)	887,634
Other financial assets-amortised cost	276,613	(20,847)	255,766
Stage 1	230,779	(4,578)	226,201
Stage 2	31,827	(2,262)	29,565
Stage 3	14,007	(14,007)	–
<b>Total</b>	<b>15,245,762</b>	<b>(2,431,279)</b>	<b>12,814,483</b>

## 35. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Fair values of financial assets and liabilities

#### (a) Fair value hierarchy

IFRS 13 specifies a hierarchy of fair value measurement based on whether the inputs to valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Group's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1: Inputs based on quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges (for example, Hong Kong Stock Exchange).
- Level 2: Using observable inputs other than quoted prices for assets or liabilities within Level 1, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3: Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

#### (b) Financial instruments not measured at fair value

Financial assets and liabilities in the statement of financial position which are not measured at fair value mainly include: cash and bank balances, financial assets purchased under resale agreements, loans to customers, trustee's remuneration receivable, financial investments-amortised cost, other assets, short-term borrowings, net assets attributable to other beneficiaries of consolidated structured entities and other payables. As at 30 June 2022 and 31 December 2021, their fair value approximate carrying amounts.

### 35. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### Fair values of financial assets and liabilities (Continued)

##### (c) Financial instruments measured at fair value

30 June 2022	Level 1 RMB'000 (Unaudited)	Level 2 RMB'000 (Unaudited)	Level 3 RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
<b>Financial assets at fair value through profit or loss</b>				
– Equity investments				
– Listed shares	10,951	–	–	10,951
– Unlisted shares	–	–	1,237,941	1,237,941
– Bonds	–	284,916	–	284,916
– Asset management products	–	–	228,847	228,847
– Mutual funds	1,391,993	–	–	1,391,993
– Investments in trust schemes	–	–	456,769	456,769
– Investments in Trust Industry Protection Fund	–	–	117,998	117,998
	1,402,944	284,916	2,041,555	3,729,415
<b>Investments in associates</b>	–	–	369,224	369,224
<b>Total</b>	<b>1,402,944</b>	<b>284,916</b>	<b>2,410,779</b>	<b>4,098,639</b>

### 35. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### Fair values of financial assets and liabilities (Continued)

#### (c) Financial instruments measured at fair value (Continued)

31 December 2021	Level 1 RMB'000 (Audited)	Level 2 RMB'000 (Audited)	Level 3 RMB'000 (Audited)	Total RMB'000 (Audited)
<b>Financial assets at fair value through profit or loss</b>				
– Equity investments				
– Listed shares	7,809	–	–	7,809
– Unlisted shares	–	–	1,213,665	1,213,665
– Bonds	–	388,825	–	388,825
– Asset management products	–	–	194,741	194,741
– Mutual funds	1,032,197	–	–	1,032,197
– Investments in trust schemes	–	–	213,994	213,994
– Investments in Trust Industry Protection Fund	–	–	113,228	113,228
	1,040,006	388,825	1,735,628	3,164,459
<b>Investments in associates</b>	–	–	349,318	349,318
<b>Total</b>	1,040,006	388,825	2,084,946	3,513,777

During the six months ended 30 June 2022, the Group did not reclassify the financial instruments among different levels (31 December 2021: nil).

### 35. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### Fair values of financial assets and liabilities (Continued)

##### (c) *Financial instruments measured at fair value (Continued)*

###### (i) *Financial instruments in Level 1*

The fair value of financial instruments traded in active markets is based on quoted market prices (unadjusted) at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. Instruments included in Level 1 comprise primarily mutual funds and listed shares.

###### (ii) *Financial instruments in Level 2*

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

### 35. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### Fair values of financial assets and liabilities (Continued)

#### (c) Financial instruments measured at fair value (Continued)

##### (iii) Financial instruments in Level 3

	Financial assets at fair value through profit or loss RMB'000 (Unaudited)	Investments in associates RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
1 January 2022	1,735,628	349,318	2,084,946
Acquisitions	656,187	–	656,187
Disposals	(404,913)	–	(404,913)
Losses recognised in profit or loss	54,653	19,906	74,559
30 June 2022	2,041,555	369,224	2,410,779
Unrealised gains recognised in profit or loss attributable to balances held at the end of the period	15,432	19,906	35,338

	Financial assets at fair value through profit or loss RMB'000 (Audited)	Investments in associates RMB'000 (Audited)	Total RMB'000 (Audited)
1 January 2021	641,446	863,729	1,505,175
Acquisitions	1,163,869	–	1,163,869
Disposals	(52,630)	(678,026)	(730,656)
(Losses) gains recognised in profit or loss	(17,057)	163,615	146,558
31 December 2021	1,735,628	349,318	2,084,946
Unrealised gains recognised in profit or loss attributable to balances held at the end of the year	4,271	40,664	44,935

### 35. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### Fair values of financial assets and liabilities (Continued)

#### (c) Financial instruments measured at fair value (Continued)

##### (iii) Financial instruments in Level 3 (Continued)

Description	Fair value at 30 June 2022 (Unaudited)	Valuation technique(s)	Unobservable input	Range
<b>Financial assets at fair value through profit or loss</b>				
– Equity investments	166,421	Market comparable company model	P/B multiple (note (ii) below) Discount for lack of marketability (note (i) below)	1.24 25%
– Investments in trust schemes	42,918	Discounted cash flow	Discount rate	15%~19%
<b>Investments in associates</b>				
– Investments in associates	369,224	Discounted cash flow	Discount rate	18%~34%

Description	Fair value at 31 December 2021 (Audited)	Valuation technique(s)	Unobservable input	Range
<b>Financial assets at fair value through profit or loss</b>				
– Equity investments	183,336	Market comparable company model	P/B multiple (note (ii) below) Discount for lack of marketability (note (i) below)	1.42 27%
– Investments in trust schemes	43,701	Discounted cash flow	Discount rate	15%~19%
<b>Investments in associates</b>				
– Investments in associates	349,318	Discounted cash flow	Discount rate	18%~34%

Notes:

- (i) Represents amounts used when the Group has determined that market participants take into account these discounts when pricing the investments.
- (ii) Represents amounts used when the Group has determined that market participants would use such multiples when pricing the investments.

As at 30 June 2022, the remaining investments categorised in Level 3 with fair value of RMB1,832,216 thousand (31 December 2021: RMB1,508,591 thousand) were valued based on unobservable inputs such as net assets value of investment product.

# Definitions

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

"Articles of Association"	Articles of Association of the Company (as amended from time to time)
"Audit Committee"	the audit committee under the Board
"Board" or "Board of Directors"	the board of Directors of the Company
"Board of Supervisors"	the board of Supervisors of the Company
"Business Decision Committee"	the business decision committee under the Board
"CBRC" or "CBIRC"	the China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會) or the former China Banking Regulatory Commission ("CBRC") and/or the former China Insurance Regulatory Commission) (as the context requires)
"China" or "PRC"	the People's Republic of China, but for the purpose of this annual report and for geographical reference only and except where the context requires, references in this interim report to "China" and the "PRC" do not include, Hong Kong, Macau and Taiwan
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"CSRC"	China Securities Regulatory Commission
"Director(s)"	director(s) of the Company
"Domestic Share(s)"	ordinary share(s) issued by the Company with a nominal value of RMB1.00 each, which are subscribed for or credited as paid up in Renminbi
"Group"	the Company and the trust schemes over which it has control
"H Share(s)"	overseas listed foreign share(s) in the ordinary share capital of the Company with a nominal value of RMB1.00 each, which are subscribed for and traded in Hong Kong dollars and listed on the Hong Kong Stock Exchange
"HK\$" or "Hong Kong dollars"	the lawful currency of Hong Kong
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited

“IFRS”	International Financial Reporting Standards
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Lucion Group”	Shandong Lucion Investment Holdings Group Co., Ltd. (山東省魯信投資控股集團有限公司)
“Macau”	the Macau Special Administrative Region of the PRC
“PBOC”	the People’s Bank of China (中國人民銀行), the central bank of the PRC
“Reporting Period”	the period from 1 January 2022 to 30 June 2022
“RMB” or “Renminbi”	the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented from time to time or otherwise revised
“Shandong Office of CBIRC”	the Shandong Office of CBIRC (中國銀保監會山東監管局)
“Shandong Trust”, “SITC”, “Company”, “we” or “us”	Shandong International Trust Co., Ltd. (山東省國際信託股份有限公司), established in the PRC on 10 March 1987 and converted into a joint stock company with limited liability under the Company Law of the People’s Republic of China on 30 July 2015, except where the context otherwise requires, the trust schemes over which it has control
“Shareholder(s)”	holder(s) of our shares
“State”	the central government of the PRC, including all governmental subdivisions (including provincial, municipal and other regional or local government entities) and its organs or, as the content requires, any of them
“Strategies and Risk Management Committee”	the strategies and risk management committee under the Board
“Substantial Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Supervisor(s)”	supervisor(s) of the Company

# Glossary of Technical Terms

This glossary contains definitions of certain terms used in this interim report in connection with our Company and our business. Some of these may not correspond to standard industry definitions or usage of these terms.

"AUM"	assets under management, which refers to the amount of the entrusted assets of our trust schemes
"commercial bank(s)"	include large commercial banks, joint-stock commercial banks, city commercial bank, rural commercial banks and foreign banks
"financial assets at FVPL"	financial assets at fair value through profit or loss, which is a category of financial assets under IFRS
"gross amount"	gross amount of a financial asset is the amount before deduction of any provision for impairment losses
"HNWI"	high-net-worth individual
"Net Assets Value"	net assets value, which means the value of an entity or trust scheme's assets minus the value of its liabilities
"net capital"	a measure provided by the Net Capital Measures, being our net assets minus (i) risk deduction for each type of our assets, (ii) risk deduction for our contingent liabilities and (iii) other risk deductions determined by the CBIRC while the risk deductions are determined by the CBIRC
"Net Capital Measures"	the Administrative Measures on Net Capital of Trust Companies (信託公司淨資本管理辦法) promulgated by the CBRC in August 2010
"R&D"	research and development
"risk-based capital"	a financial measure provided by the Net Capital Measures which is calculated by applying a risk factor to our proprietary assets or trust assets used in the relevant business
"Trust Industry Protection Fund"	Trust Industry Protection Fund (信託業保障基金), a market-oriented risk mitigation system which was established to protect the legitimate interests of the trustees, effectively prevent the risk of the trust industry and facilitate the sound development of the trust industry

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