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LUCION

Shandong International Trust Co., Ltd.

山東省國際信託股份有限公司

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

(Stock Code: 1697)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2023

The board of directors (the “**Board of Directors**”) of Shandong International Trust Co., Ltd. (the “**Company**” or “**SITC**”) is pleased to announce the unaudited consolidated results of the Company for the six months ended 30 June 2023 (the “**Reporting Period**”). The content of this interim results announcement has been prepared in accordance with applicable disclosure requirements under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) in relation to preliminary announcements of interim results and the China Accounting Standards for Business Enterprises (the “**CASBE**”). Such interim results have also been reviewed and confirmed by the Board of Directors and the audit committee of the Board of Directors (the “**Audit Committee**”). Unless otherwise stated, financial data of the Company are presented in Renminbi.

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

1. BASIC CORPORATE INFORMATION

1.1 Basic Information

Legal name in Chinese Abbreviation	山東省國際信託股份有限公司 山東國信
Legal name in English Abbreviation	Shandong International Trust Co., Ltd. SITC
Legal representative	Wan Zhong (萬眾)
Authorised representatives	Wan Zhong (萬眾) He Chuangye (賀創業)
Listing exchange of H Shares	The Stock Exchange of Hong Kong Limited
Stock name	SDITC
Stock code	1697

1.2 Contact Person and Contact Details

Secretary to the Board of Directors	He Chuangye (賀創業)
Company secretary	He Chuangye (賀創業)
Registered office	partial area of 1/F, 2/F and 13/F, 32-35/F and 40/F, Tower A No. 2788 Aoti West Road, Lixia District Jinan, Shandong Province PRC
Postal code	250101
E-mail address	ir1697@luxin.cn
International Internet website	http://www.sitic.com.cn
Principal place of business in Hong Kong	31/F, Tower Two, Times Square 1 Matheson Street Causeway Bay Hong Kong

2. SUMMARY OF FINANCIAL DATA

2.1 Summary of Unaudited Interim Condensed Consolidated Income Statement

Item	Note	For the six months ended 30 June	
		2023	2022
		<i>(RMB in thousand)</i>	
I. Total operating income		836,157	805,700
Net Interest Income	10	35,014	-21,036
Including: Interest income	10	75,332	37,601
Interest expense	10	40,318	58,637
Net fee and commission income	11	418,612	515,606
Including: Fee and commission income	11	421,229	519,484
Fee and commission expenses	11	2,617	3,878
Investment income	12	133,775	227,918
Including: Income from investment in associates and joint ventures		10,153	191,254
Gains from changes in fair value	13	212,071	35,870
Gains from changes in net assets attributable to third-party investors in consolidated structured entities		31,763	46,026
Other operating income		4,899	1,316
Gains on disposal of assets		23	-
II. Total operating costs		447,435	1,501,526
III. Operating profit		388,722	-695,826
Add: Non-operating income		2,922	364
Less: Non-operating expenses	17	115,722	404
IV. Total profit		275,922	-695,866
Less: Income tax expenses	18	100,845	-221,594
V. Net profit		175,077	-474,272
VI. Total comprehensive income		175,213	-477,471
Total comprehensive income attributable to shareholders of the parent company		175,213	-477,471

Note: In this results announcement, losses and income tax credits are indicated in “-” unless otherwise stated.

2.2 Summary of Unaudited Interim Condensed Consolidated Balance Sheet

Item	30 June	31 December
	2023	2022
		(Audited)
		<i>(RMB in thousand)</i>
Total assets	13,704,354	14,458,132
Total liabilities	2,594,873	3,523,864
Total shareholders' equity	11,109,481	10,934,268
Total liabilities and shareholders' equity	13,704,354	14,458,132

2.3 Summary of Unaudited Interim Condensed Consolidated Statement of Cash Flows

Item	For the six months ended 30 June	
	2023	2022
		<i>(RMB in thousand)</i>
Net cash flows from operating activities	-878,493	-4,260,055
Net cash flows from investing activities	117,514	2,525,619
Net cash flows from financing activities	-1,344,662	333,938
Net increase in cash and cash equivalents	-2,105,641	-1,400,498
Add: Balance of cash and cash equivalents at the beginning of the period	2,240,590	1,586,596
Balance of cash and cash equivalents at the end of the period	134,949	186,098

3. MANAGEMENT DISCUSSION AND ANALYSIS

3.1 Environment Review

Since 2023, the global economic growth momentum has continued to slow down. Trade protectionism, geopolitical situation and financial market volatility have brought multiple challenges to the international economic development. The global trade growth has slowed down, and the downward pressure on the economy remains. China has adhered to the new development concept, coordinated both the domestic and international situations, as well as the two major issues of development and security, deeply promoted the supply-side structural reform, expanded the high-level opening-up. The normal operation of the economy and society has been restored comprehensively. The macro policies have been effective, and the economic development has shown a recovery trend.

In the first half of 2023, China promoted a number of major financial reforms, and established the National Administration of Financial Regulation (the “NAFR”) to further improve the regulatory structure, which is of great positive significance to the long-term healthy development of the financial industry and the effective allocation of financial resources. Closely focusing on the three tasks of serving the real economy, preventing and controlling financial risks, and deepening financial reform, China’s financial industry has effectively supported the economic recovery and provided strong financial support for the stable and healthy development of the economy.

China’s trust industry has adhered to the general tone of “pursuing progress while ensuring stability” and followed the regulatory guidance. Under the guidance of the new three categories of trust business, it actively returns to the origin, regulates development, effectively prevents risks, and actively integrates into the overall economic and social development, efficiently serves the development of the real economy and meets people’s needs for a better life. As at the end of the first quarter of 2023, the balance of trust assets managed by China’s trust industry was RMB21.22 trillion. While focusing on preventing and mitigating risks, the structure of assets, the ways of allocation and the application of the capital trust has continued to be optimised, and the transformation of trust business has achieved certain results.

3.2 Business Overview

In the first half of 2023, facing the external environment of increasing complexity, severity and uncertainty, SITC adhered to the general tone of “pursuing progress while ensuring stability”, accurately focused on management, controlled risks and promoted transformation, and steadily advanced various tasks around the annual business objectives. The Company maintained a stable development trend in general, with a more optimised business structure, accelerated disposal of risk projects, continuously deepened transformation of wealth management, and constantly enhanced development resilience.

Firstly, the Company focused on the transformation and upgrading of the main business to shape a new pattern of development by returning to its origin. We focused on the positioning of trust and trustee services, accelerated the development of the original trust business, and achieved a stable and favorable income structure with a significant increase in sustainable development capability. Family trust maintained strong growth momentum. In the first half of the year, we launched the industry’s first family trust of “FGT (Foreign Grantor Trust) + Shares of Listed Companies”, and the Company’s first family service trust of “De Shan Qi Jia” (德善齊家) series, making continuous breakthroughs in business innovation. The Company empowered business development with fintech, successfully launched the FTS system, and continuously optimised automatic functions such as automatic generation of contracts and connection of various channels. As at the end of June 2023, the scale of family trust entrusted by the Company amounted to RMB34.702 billion, representing a year-on-year increase of 46.29%. In the first half of the year, three new charitable trusts were added, and the cumulative amount of funds delivered at the end of June exceeded RMB120 million. The Company made solid efforts to optimise the capital market business and strove to cultivate active management capabilities to improve historical performance and enhance subscription confidence, and to broaden distribution channels to drive scale growth. As at the end of June, the scale of the Company’s actively managed standardised trust products increased to nearly RMB40 billion, and a number of products such as “Taishanbao” and “Shandong Construction and Development Fund” achieved outstanding performance in the market, ranking top among similar products. The Company continued to strengthen cooperation with banks, bank financial subsidiaries, securities companies, fund management companies and other financial institutions, and strove to build an all-round and in-depth interbank cooperation system. We steadily carried out proprietary business, continuously optimised asset allocation, vigorously carried out diversified investment, actively cultivated new engines for business transformation, and continuously improved the synergy with trust business.

Secondly, the Company strengthened financial support for the real economy and created a new engine with innovative wisdom. The Company strengthened cooperation with key cities in Shandong Province, vigorously supported regional economic development, and supported enterprises to issue bonds and other financing needs. We focused on the expansion of green trust projects under active management to facilitate dual-carbon development and ecological protection. At the end of June, the balance of green trust assets reached RMB3.129 billion. We established a green trust research team to strengthen research collaboration, achievement sharing and project implementation. The “Carbon Neutrality – Carbon Asset Investment” collective trust was awarded as one of the top ten outstanding financial innovation products in the province. The Company actively explored and promoted prepaid fund service trusts, and give full play to the advantages of the trust system to help people live a better lives and improve the business environment.

Thirdly, the Company steadily promoted the transformation of wealth management and built a new system of wealth management capabilities. The Company further optimised the layout of wealth outlets and the construction of the team of financial experts, focused on the three marketing strategies of “individual + institution”, “standard + non-standard” and “online + offline”, and continued to improve and cultivate independent marketing capabilities. In the first half of the year, the scale of independent issuance amounted to RMB16.215 billion, representing a year-on-year increase of 1.67%. We also accelerated the transformation of wealth management service trust and vigorously expanded the wealth management business of “An Xin” special account. The Company insisted on public welfare publicity of consumer rights protection, regularly carried out financial knowledge publicity activities, launched “Xiao Xin” IP intelligent customer service, stickers and promotional videos, and actively carried out financial knowledge and consumer protection publicity, product salons, festival feedback and other activities to create a characteristic brand image of wealth management.

Fourthly, the Company continued to improve the comprehensive risk management system and strengthened the construction of internal control and compliance. The Company strengthened the risk management and control of the entire process of trust business, improved the system construction, and enhanced and improved the management requirements of trust business in terms of risk identification, temporary management, information disclosure, risk disposal response and liquidity support. We prudently carry out various businesses, strictly implemented the concentration control requirements, established an independent investigation mechanism for major businesses, and improved the quality of decision-making. The Company improved and refined internal control management, solidly carried out anti-money laundering and anti-terrorist financing, and promoted the construction of anti-money laundering system. We adhered to the position of trustee, vigorously promoted the trust culture, continuously carried out compliance training, and enhanced the awareness of employees to conduct business in compliance with laws and regulations.

Fifthly, the Company unswervingly deepened reform and stimulated new momentum for development. The Company insisted on solving the problems during the development with reform, solidly carried out the mid-term evaluation and adjustment of the 14th Five-Year Plan, deepened the “Year of Management Improvement” activity, and comprehensively improved management efficiency. We improved the remuneration assessment system, studying and formulating various incentive mechanisms such as special incentives; focused on the construction of talent teams, adhering to “cultural retention”, “career retention” and “remuneration retention”, implemented the “Guo Xin Lan” (國信藍) talent training project and the “three-batch” (三個一批) talent training plan, building an entrepreneurial platform, and strove to build a knowledge-based, intelligent and compound talent team.

In the first half of 2023, the Group achieved total operating income with an amount of RMB836.2 million, representing a year-on-year increase of 3.8%; total profit with an amount of RMB275.9 million; and net profit with an amount of RMB175.1 million, as compared to a loss of RMB474.3 million in the last year, mainly due to (i) a year-on-year increase in gains from changes in fair value; and (ii) a year-on-year decrease in credit impairment losses during the Reporting Period.

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:

	For the six months ended 30 June			
	2023		2022	
	Amount	%	Amount	%
	<i>(RMB in thousands, except for %)</i>			
Trust business				
Operating income	418,718	49.9%	516,592	64.1%
Segment income	418,718	49.9%	516,592	64.1%
Proprietary business				
Operating income	417,439	49.7%	289,108	35.9%
Non-operating income	2,922	0.4%	364	0.0%
Segment income	420,361	50.1%	289,472	35.9%
Total	<u>839,079</u>	<u>100.0%</u>	<u>806,064</u>	<u>100.0%</u>

In the first half of 2023, the income from the trust business and proprietary business of the Company accounted for 49.9% and 50.1% of the total revenue of the Company, respectively.

3.2.1 Trust Business

Classification of Trusts

With the flexible trust arrangements under laws of the People's Republic of China (the "PRC"), advantages of mixed operations under the Company's trust license and strong active management capabilities, the Company has 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 high-net-worth individuals (the "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 assets under management of each type of our trusts as at the dates indicated:

	30 June 2023		31 December 2022	
	Number	AUM	Number	AUM
	<i>(AUM: RMB in millions)</i>			
Financing trusts	291	41,306	187	47,214
Investment trusts	1,447	67,848	1,274	63,471
Administrative management trusts	322	58,433	175	98,792
Total	<u>2,060</u>	<u>167,587</u>	<u>1,636</u>	<u>209,477</u>

Note: The "assets under management" as disclosed in the above table does not include the size of the insurance trusts (in terms of basic insurance amount) managed by the Company as at the corresponding dates, being RMB11,996 million (30 June 2023) and RMB5,923 million (31 December 2022). As at 30 June 2023 and 31 December 2022, the assets under management of the Company (including insurance trusts) amounted to RMB179,583 million and RMB215,400 million, respectively.

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):

	For the six months ended 30 June			
	2023		2022	
	Revenue	%	Revenue	%
	<i>(Revenue: RMB in millions)</i>			
Financing trusts	263	62.5	168	32.4
Investment trusts	82	19.5	113	21.8
Administrative management trusts	76	18.0	238	45.8
Total	<u>421</u>	<u>100.0</u>	<u>519</u>	<u>100.0</u>

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/her legally owned funds to the trust company based on his/her 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/her 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. 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 and provides entrusted services for securities investment and securities issuance. 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, financial market department, securities investment banking 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 2023, the size of the Company's existing capital market business exceeded RMB57.576 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 beneficial to the protection and inheritance of people's legal property, enrichment of family harmony and stability, and promotion of social good for a better life.

Since 2013, the domestic localisation of family trusts has gone through ten years, and the industry has ushered in prosperous development. SITC is one of the earliest entrants into family trust business in China, and family trust is 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 formed a whole-system business models such as family trust, family service trust, insurance trust and family charity trust, and implemented industry leading cases such as equity, stock and property integration and FGT family trust to 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, national joint-stock commercial banks and large securities 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. The Company developed and launched the new family trust comprehensive management platform system and client, and implemented online management of the full process of family trust customers in various channels such as submission of application, contract generation, audio and video recording during contract signing, investment allocation and asset search.

As at 30 June 2023, the Company had established 2,500 family trusts, with an existing scale of approximately RMB35 billion, which has always been in the forefront of the industry in recent years. In the first half of 2023, the Company's family trust was awarded the "Gold Honour Award – Outstanding Family Office" at the annual summit of China's asset management and wealth management industry. The Company always insists on leading the business with faithful culture and service thinking, taking into account model innovation and industry expansion, and is committed to building the family trust brand of "De Shan Qi Jia", which has been widely recognised by customers, experts, authoritative institutions and partners.

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 2023, the existing industrial and commercial enterprises trust scale of SITC was RMB49.882 billion, and the counterparties were mainly central enterprises and state-owned enterprises with strong strength and high credit rating. Under the background of persistent global inflation, 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 2023, the Company's existing infrastructure trust amounted to RMB7.374 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 2023, the Company had established consumer finance trusts totalling RMB7.763 billion, with an existing scale of RMB1.387 billion, providing consumption financial services to 3.2077 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.

Public Welfare/Charitable Trusts

Charitable trust belongs to public interest trust, which refers to the business that the trustor entrusts his/her property to the trust company according to law for charitable purposes 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.

As at 30 June 2023, the Company had established a total of 18 standardised charitable trusts with an existing scale of approximately RMB121.37 million. The Company has utilised a total of approximately RMB16 million of trust funds in accordance with trustors' intentions for the benefit of over 6,000 direct beneficiaries. The charitable projects spread all over Shandong, Shanxi, Shaanxi, Anhui, 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, alleviating poverty and helping the disabled. The development of poverty alleviation and other public welfare undertakings have effectively met the needs of individuals, enterprises, social organisations and government departments in public welfare and charity and social responsibility.

SITC is committed to providing customers with all-round and multi-level professional services, building an open and shared “financial + charity” ecosystem around the charity trust business, which connects all links of public welfare and charity to build a bridge of mutual trust and win-win situation through linkage with caring people, enterprises, government agencies and social organisations. In recent years, the Company has actively carried out charitable trust business, initially established a business model of cooperation with family trusts, and established a number of charitable trust brands such as the “Datong Series (大同系列)” and “Sixing Series (私行系列)” to help the first rich group better realise the good wishes of taking care of the masses and repaying the society, and pass on the ethos of benevolence and charity and the values of De Shan Qi Jia from generation to generation, which is conducive to the joint realisation of customers’ family value and enterprise value, wealth value and social value.

Service Trusts

Service trust refers to the professional trust services such as wealth planning, custody, bankruptcy isolation and risk disposal which are entrusted by the trustors according to the legal relationships and are tailored by the trust company to meet the needs of trustors. The Company’s service trusts include wealth management service trusts, asset securitisation trust and pre-paid fund service trusts.

Wealth Management Service Trusts: the Company is developing its individual and institutional wealth management service trust business. The Company has established certain individual trusts whereby the trustor clients entrust their funds to the Company and allow the Company to allocate the funds into different trust products chosen by the Company for them based on their respective investment needs. The trust agreements normally set forth the general scope of investment and fund management methods (administrative management or active management) as set by the trustors. During the Reporting Period, the Company continued to exert effort on developing the individual and institutional wealth management service business and to improve asset allocation, thus achieving the maximised benefits of beneficiaries. As at 30 June 2023, the Company managed 23 other individual wealth management service trusts, of which five were newly added in the first half of 2023, with the AUM reaching approximately RMB407 million; and managed eight wealth management service trusts of legal persons and unincorporated organisations, with the AUM approximately RMB1.589 billion.

Entrusted Services for Asset Securitisation Trusts: trust companies, as trustees, set up special purpose vehicles with the underlying assets of asset securitisation to provide entrusted services for the underlying assets. As at 30 June 2023, SITC, as the initiator and trustee of asset-backed securities, had set up five asset-backed securities projects with a cumulative scale of RMB9.202 billion, involving ABN, CMBS, CMBN, etc. During the business process, the Company has established good cooperative relations with financial institutions including large securities companies, large commercial banks and many high-quality state-owned enterprises, and accumulated some experience in the screening and construction of underlying assets, asset transfer, information disclosure and trust affairs management. In the future, the Company will continuously improve its capabilities in asset pool construction, product structure design and pricing, and actively extend to underwriting, investment and other fields.

Pre-paid Fund Service Trusts: trust companies provide administrative services such as trust property custody, equity registration, payment and settlement, execution supervision, information disclosure, liquidation and distribution of pre-paid funds, so as to achieve the trust purpose of property independence, risk isolation and fund security of pre-paid funds. Starting from the second half of 2022, the Company has taken the opportunity of the reform of single-purpose commercial pre-paid cards filing management in Shandong Province to develop and construct a full-process business system including “Shandong An Xin Fu (Mini APP)” and “Shandong Prepaid Card Service Trust Management Platform”. Leveraging the advantages of “property independence” and “risk isolation” of the trust system, the Company designed and launched the “An Xin Fu Series Service Trust” to actively help the government solve the regulatory problems of pre-paid funds and improve consumer confidence. At present, the business scope has covered three major industries, namely commercial retail, catering and accommodation, and resident services, and will be expanded subsequently in the fields of sports and fitness, education and training, real estate and property services.

3.2.2 Proprietary Business

In the first half of 2023, 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 products so as to assist the transformation and development of the Company's business. Secondly, the Company further optimised the asset structure, actively dealt with inefficient assets, and improved the quality of proprietary assets. Thirdly, 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 RMB420.4 million from its proprietary business In the first half of 2023, representing a year-on-year increase of 45.2%, mainly due to the increase in gains from changes in fair value from RMB35.9 million In the first half of 2022 to RMB212.1 million In the first half of 2023, which was partially offset by a decrease in investment income from RMB227.9 million in the first half of 2022 to RMB133.8 million in the first half of 2023.

Allocation of Proprietary Assets

Pursuant to the Administrative Measures on Trust Companies (《信託公司管理辦法》) issued by the China Banking and Insurance Regulatory Commission (the “**CBIRC**”, replaced by the NAFR since May 2023) 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 stock 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 2023	31 December 2022 (Audited)
	<i>(RMB in thousands)</i>	
Investments in monetary assets	680,087	2,535,524
Cash at banks	146,308	405,298
Other monetary assets	34,185	1,803,005
Government bonds purchased under agreements to resell	499,594	327,221
Securities Investments	9,696,623	8,405,423
<i>Investment in equity products</i>	2,268,290	1,515,532
Listed stock investment classified as:		
– Financial assets held for trading	<u>1,539,579</u>	<u>43,366</u>
Subtotal	<u>1,539,579</u>	<u>43,366</u>
Public fund investments classified as:		
– Financial assets held for trading	<u>728,711</u>	<u>1,472,166</u>
Subtotal	<u>728,711</u>	<u>1,472,166</u>

	30 June 2023	31 December 2022 (Audited)
	<i>(RMB in thousands)</i>	
<i>Investment in wealth management products</i>		
Investments in consolidated trust schemes	1,780,454	1,323,148
Investment in unconsolidated trust schemes classified as financial assets held for trading	753,920	725,660
Investment in unconsolidated trust schemes classified as debt investments	241,039	187,436
Other financial investment classified as debt investments	3,525,550	3,645,299
Bond Investments	11,120	320,707
Asset management products	1,116,250	687,641
Long-Term Equity Investments	1,074,149	1,071,650
Investment accounted for using the equity method	525,210	515,703
Investment classified as financial assets held for trading	548,939	555,947
Proprietary Loans	112,799	107,580
Trust Industry Protection Fund	111,448	108,895
Assets classified as held for sale	–	675,178
	<hr/>	<hr/>
Total	<u>11,675,106</u>	<u>12,904,250</u>

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 2023	31 December 2022 (Audited)
		<i>(RMB in thousands)</i>
Investment in monetary assets		
– Cash at banks	146,308	405,298
– Other monetary assets	34,185	1,803,005
– Government bonds purchased under agreements to resell	499,594	327,221
Total	680,087	2,535,524

	For the six months ended 30 June	
	2023	2022
		<i>(RMB in thousands)</i>

Interest income generated from:		
– Cash at banks	1,131	539
– Government bonds purchased under agreements to resell	9,947	10,294
Total	11,078	10,833

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 both 1.4% for the six months ended 30 June 2022 and for the six months ended 30 June 2023.

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 stock investments and public fund investments, 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:

	For the six months ended 30 June 2023	For the year ended 31 December 2022 (Audited)
	<i>(RMB in millions, except risk category)</i>	
Risk category of underlying investments		
– Equity products	High	High
– Trust schemes	Medium	Medium
– Debt investments	Medium	Medium
– Bond investments	Medium	Medium
– Asset management products	Medium	Medium
Average investment balance⁽¹⁾		
– Equity products	1,891.9	1,230.0
– Trust schemes	2,505.8	3,634.0
– Debt investments	3,585.4	2,266.5
– Bond investments	165.9	160.4
– Asset management products	901.9	441.2

Note:

- (1) Average of the opening balance and the closing 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 53.8% from RMB1,230.0 million in 2022 to RMB1,891.9 million in the first half of 2023; the average balance of investments in trust schemes decreased by 31.0% from RMB3,634.0 million in 2022 to RMB2,505.8 million in the first half of 2023; the average balance of the debt investments increased by 58.2% from RMB2,266.5 million in 2022 to RMB3,585.4 million in the first half of 2023; and the average balance of investments in asset management products increased by 104.4% from RMB441.2 million in 2022 to RMB901.9 million in the first half of 2023.

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 2023, 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 30 June 2023	Board seat	First investment date	Accounting treatment
Sinotruk Auto Finance Co., Ltd.	Automobile financing	6.52%	Yes	September 2015	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 services	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 held for trading

The Company uses the equity method to account for its long-term equity interests in companies that constituted associates of the Company under the CASBE, and account for the Company's long-term equity investments in other companies as financial assets held for trading under the requirements of the CASBE No.22 "Recognition and Measurement of 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 held for trading) together with their investment return (in terms of dividend income generated) for the periods indicated below are summarised as follows:

	30 June 2023	31 December 2022 (Audited)
	<i>(RMB in thousands)</i>	
Long-term equity investments, accounted for:		
– As associate using the equity method	525,210	515,703
– Investment categorised as financial assets held for trading	548,939	555,947
	<hr/>	<hr/>
Total	<u>1,074,149</u>	<u>1,071,650</u>
	For the six months ended 30 June 2023	
	<i>(RMB in thousands)</i>	
Dividend income generated from:		
– As associate using the equity method	781	233,450
– Investment categorised as financial assets held for trading	–	4,251
	<hr/>	<hr/>
Total	<u>781</u>	<u>237,701</u>

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 21.3% and 0.1% for the six months ended 30 June 2022 and the six months ended 30 June 2023, respectively. The significant decrease in average return on long-term equity investments in the first half of 2023 as compared to that of the first half of 2022 was primarily due to the significant decrease in dividend income from the associates of the Company in the first half of 2023.

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 2022 and 30 June 2023, the outstanding balance of the Company's proprietary loans were RMB107.6 million and RMB112.8 million, respectively.

Trust Industry Protection Fund

According to the Administrative Measures on Trust Industry Protection Fund (《信託業保障基金管理辦法》) issued by the CBIRC 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 2.3% from RMB108.9 million as at 31 December 2022 to RMB111.4 million as at 30 June 2023.

3.3 Financial Overview

Analysis of Unaudited Interim Condensed Consolidated Income Statement

In the first half of 2023, the Company achieved a net profit of RMB175.1 million as compared to a net loss of RMB474.3 million in the corresponding period of last year.

3.3.1 Results of Operations

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

Item	For the six months ended 30 June	
	2023	2022
	<i>(RMB in thousands)</i>	
I. Total operating income	836,157	805,700
Net Interest Income	35,014	-21,036
Including: Interest income	75,332	37,601
Interest expense	40,318	58,637
Net fee and commission income	418,612	515,606
Including: Fee and commission income	421,229	519,484
Fee and commission expenses	2,617	3,878
Investment income	133,775	227,918
Including: Income from investment in associates and joint ventures	10,153	191,254
Gains from changes in fair value	212,071	35,870
Gains from changes in net assets attributable to third-party investors in consolidated structured entities	31,763	46,026
Other operating income	4,899	1,316
Gains on disposal of assets	23	-
II. Total operating costs	447,435	1,501,526
Tax and surcharges	5,193	6,199
Business and administrative expenses	163,971	147,674
Credit impairment losses	278,020	1,347,287
Other operating costs	251	366
III. Operating profit	388,722	-695,826
Add: Non-operating income	2,922	364
Less: Non-operating expenses	115,722	404
IV. Total profit	275,922	-695,866
Less: Income tax expenses	100,845	-221,594
V. Net profit	<u>175,077</u>	<u>-474,272</u>

3.3.2 Total Operating Income

Net Interest Income

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

Item	For the six months ended 30 June	
	2023	2022
	<i>(RMB in thousands)</i>	
Interest income	75,332	37,601
Including: Cash and bank deposits	1,133	539
Loans and advances to customers	54,083	24,941
Debt investments	9,976	1,583
Financial assets purchased under resale agreements	10,036	10,295
Others	104	243
Interest expenses	40,318	58,637
Including: Short-term borrowings	28,182	53,164
Income attributable to third-party trust beneficiaries of consolidated structured entities	10,410	4,582
Others	1,726	891
Net interest income	35,014	-21,036

The Group's net interest income in the first half of 2023 amounted to RMB35.0 million, as compared to a net interest expense of RMB21.0 million in the corresponding period of last year, mainly due to: interest income for the first half of 2023 amounted to RMB75.3 million, representing an increase of 100.3% as compared to RMB37.6 million for the first half of 2022, of which the interest income of the loans granted by the Group increased from RMB24.9 million in the first half of 2022 to RMB54.1 million in the first half of 2023. In the first half of 2023, interest expenses amounted to RMB40.3 million, representing a decrease of RMB18.3 million as compared to the corresponding period of last year.

Net Fee and Commission Income

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

Item	For the six months ended 30 June	
	2023	2022
	<i>(RMB in thousands)</i>	
Fee and commission income	421,229	519,484
Including: Trustee's remuneration	394,913	519,484
Other	26,316	–
Fee and commission expenses	2,617	3,878
Including: Guarantee fee	2,321	3,852
Other	296	26
Net fee and commission income	418,612	515,606

The Group's net fee and commission income in the first half of 2023 was RMB418.6 million, representing a decrease of 18.8% as compared to RMB515.6 million in the first half of 2022, which was mainly due to a decrease of 18.9% in fee and commission income from RMB519.5 million in the first half of 2022 to RMB421.2 million in the first half of 2023.

Investment Income

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

Item	For the six months ended 30 June	
	2023	2022
	<i>(RMB in thousands)</i>	
Investment income from holding financial assets	124,422	38,808
Income from long-term equity investments accounted for using equity method	10,153	191,254
Investment income from disposal of loans and other debt investments	-800	-2,144
Total	133,775	227,918

The Group's investment income in the first half of 2023 was RMB133.8 million, representing a decrease of RMB94.1 million as compared to RMB227.9 million in the first half of 2022, which was due to the year-on-year decrease of RMB181.1 million in the income from long-term equity investments accounted for using equity method of the Group in the first half of 2023, which was partially offset by a year-on-year increase of RMB85.6 million in investment income from holding financial assets.

Gains from Changes in Fair Value

	For the six months ended 30 June	
	2023	2022
	<i>(RMB in thousands)</i>	
Source of gains from changes in fair value		
Financial assets held for trading	212,071	15,964
Investment in associates	—	19,906
	<hr/>	<hr/>
Total	<u>212,071</u>	<u>35,870</u>

The Group's gains from changes in fair value increased from RMB35.9 million in the first half of 2022 to RMB212.1 million in the first half of 2023, mainly due to the significant increase in gains from changes in fair value of the Group's financial assets held for trading such as stocks in the first half of 2023.

3.3.3 Total Operating Costs

Business and Administrative Expenses

The following table summarises the breakdown of the Group's business and administrative expenses for the periods indicated:

Item	For the six months ended 30 June	
	2023	2022
	<i>(RMB in thousands)</i>	
Employee benefits	93,045	93,459
Depreciation and amortisation	31,832	17,157
Network expenses	3,385	5,291
Promotional expenses	6,401	5,878
Lease charges	4,526	4,896
Legal and professional fees	4,513	6,672
Business hospitality expenses	2,567	1,865
Travel expenses	2,278	1,091
Office expenses	589	409
Others	14,835	10,956
Total	<u>163,971</u>	<u>147,674</u>

The Group's business and administrative expenses in the first half of 2023 were RMB164.0 million, representing an increase of 11.0% as compared with RMB147.7 million in the first half of 2022, which was mainly due to the significant increase in depreciation and amortisation charges after the Group leased a new office building.

Credit Impairment Losses

The following table summarises the breakdown of the Group's credit impairment losses for the periods indicated:

Item	For the six months ended 30 June	
	2023	2022
	<i>(RMB in thousands)</i>	
Allowance for loan losses	61,134	1,207,771
Impairment losses on debt investments	192,014	128,605
Losses on bad debts of accounts receivable	8,297	6,166
Losses on bad debts of other receivables	16,575	4,745
Total	<u>278,020</u>	<u>1,347,287</u>

The Group's credit impairment losses decreased by 79.4% from RMB1,347.3 million in the first half of 2022 to RMB278.0 million in the first half of 2023, mainly due to the fact that in the first half of 2022, the Company transferred all the debt under the Ruiyuan No. 76 Trust Scheme (the "**Ruiyuan No.76 Debt**") held by it through public listing-for-sale process, and the expected loss arising from the transfer of the Ruiyuan No. 76 Debt (i.e. the difference between the book value and the transfer price of the Ruiyuan No. 76 Debt) was included in the credit impairment losses.

Non-operating Expenses

Item	For the six months ended 30 June	
	2023	2022
	<i>(RMB in thousands)</i>	
Compensation expenses	114,431	–
Losses on retirement of non-current assets	891	54
Penalty expenses	400	350
Total	<u>115,722</u>	<u>404</u>

The Group's non-operating expenses increased from RMB0.4 million in the first half of 2022 to RMB115.7 million in the first half of 2023, mainly due to the provision for compensation expenses of RMB114.4 million as the Company was involved in a litigation.

Total Profit/Loss and Operating Margin

The following table summarises the total profit and operating margin for the periods indicated:

	For the six months ended 30 June	
	2023	2022
	<i>(RMB in thousands)</i>	
Total profit/loss	275,922	-695,866
Operating margin ⁽¹⁾	<u>33.0%</u>	<u>-86.4%</u>

Note:

(1) Operating margin = Total profit/total operating income.

As a result of the foregoing, the Group's total profit changed from a loss of RMB695.9 million in the first half of 2022 to a profit of RMB275.9 million in the first half of 2023.

Income Tax Expense/Credit

Item	For the six months ended 30 June	
	2023	2022
	<i>(RMB in thousands)</i>	
Income tax expenses for the year	147,164	97,414
Deferred income tax expenses	<u>-46,319</u>	<u>-319,008</u>
Total	<u>100,845</u>	<u>-221,594</u>

The Company recorded an income tax credit of RMB221.6 million in the first half of 2022, compared to an income tax expense of RMB100.8 million in the first half of 2023, mainly due to the loss recorded by the Group in the first half of 2022.

Net Profit/Loss and Net Profit Margin

The following table summarises the net profit/(loss) and net profit margin for the periods indicated:

	For the six months ended 30 June	
	2023	2022
	<i>(RMB in thousands)</i>	
Net profit/loss	175,077	-474,272
Net profit margin ⁽¹⁾	<u>20.9%</u>	<u>-58.9%</u>

Note:

(1) Net profit margin = Net profit/total operating income.

As a result of the foregoing reasons, the net profit/loss changed from a loss of RMB474.3 million in the first half of 2022 to an income of RMB175.1 million in the first half of 2023.

3.3.4 Segment Results of Operations

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

	For the six months ended 30 June	
	2023	2022
	<i>(RMB in thousands)</i>	
Trust business:		
Operating income	<u>418,718</u>	<u>516,592</u>
Segment income	<u>418,718</u>	<u>516,592</u>
Proprietary business:		
Operating income	417,439	289,108
Non-operating income	<u>2,922</u>	<u>364</u>
Segment income	<u>420,361</u>	<u>289,472</u>

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

	For the six months ended 30 June	
	2023	2022
	<i>(RMB in thousands)</i>	
Trust business		
Operating expenses	165,683	149,628
Non-operating expenses	115,641	397
	<u>281,324</u>	<u>150,025</u>
Segment expenses	<u>281,324</u>	<u>150,025</u>
Proprietary business		
Operating expenses	281,752	1,351,898
Non-operating expenses	81	7
	<u>281,833</u>	<u>1,351,905</u>
Segment expenses	<u>281,833</u>	<u>1,351,905</u>

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

	For the six months ended 30 June	
	2023	2022
	<i>(RMB in thousands)</i>	
Trust business	137,394	366,567
Proprietary business	138,528	-1,062,433
	<u>275,922</u>	<u>-695,866</u>
Total profit	<u>275,922</u>	<u>-695,866</u>

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

	For the six months ended 30 June	
	2023	2022
	<i>(RMB in thousands)</i>	
Trust business	32.8%	71.0%
Proprietary business	32.9%	-367.0%

3.3.5 Trust Business

The segment income from the Group's trust business consists of its net 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 tax and surcharges, business and administrative expenses and other business costs that are related to the Group's trust business.

The total profit of the Group's trust business increased by 62.5% from RMB366.6 million in the first half of 2022 to RMB137.4 million in the first half of 2023, primarily due to a decrease of 19.0% in the segment income from the trust business from RMB516.6 million in the first half of 2022 to RMB418.7 million in the first half of 2023, and an increase of 87.5% in segment operating expenses from the trust business from RMB150.0 million in the first half of 2022 to RMB281.3 million in the first half of 2023.

- (1) The increase in the segment income from the trust business was mainly due to a decrease in the Group's net fee and commission income from RMB515.6 million in the first half of 2022 to RMB418.6 million in the first half of 2023.

- (2) The increase in the segment operating expenses from the trust business was mainly due to (1) an increase in administrative expenses related to the Group's trust business from RMB143.8 million in the first half of 2022 to RMB161.0 million in the first half of 2023; (2) an increase in non-operating expenses related to trust business from RMB0.4 million in the first half of 2022 to RMB115.6 million in the first half of 2023.

As a result of the foregoing, the segment margin of the trust business decreased from 71.0% in the first half of 2022 to 32.8% in the first half of 2023.

3.3.6 Proprietary Business

The segment income from the Group's proprietary business mainly consists of the net interest income, gains from changes in fair value, investment income, etc. The segment operating expenses of the Group's proprietary business mainly consists of tax and surcharges, business administrative expenses and credit impairment losses that are related to the Group's proprietary business.

The total profit of the Group's proprietary business recorded a loss of RMB1,062.4 million in the first half of 2022, as compared to a gain of RMB138.5 million of profit in the first half of 2023, primarily due to an increase of 45.2% in the segment income from the proprietary business from RMB289.5 million in the first half of 2022 to RMB420.4 million in the first half of 2023, and a decrease of 79.2% in the segment operating expenses from the proprietary business from RMB1,351.9 million in the first half of 2022 to RMB281.8 million in the first half of 2023.

- (1) The increase in segment income from the proprietary business was mainly due to an increase in the gains from changes in fair value from RMB35.9 million in the first half of 2022 to RMB212.1 million in the first half of 2023.
- (2) The decrease in the segment operating expenses from the proprietary business was mainly due to a decrease in the provision for impairment losses on credit assets from RMB1,347.3 million in the first half of 2022 to RMB278.0 million in the first half of 2023.

3.3.7 Selected Interim Condensed Consolidated Financial Positions

The Group's interim condensed consolidated statements of financial positions include the proprietary assets and liabilities of the Company as well as the assets and liabilities of the Company's consolidated trust schemes. The net assets attributable to third-party beneficiaries of the 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 2022 and 30 June 2023, the total assets of the Group (including the Company and the trust schemes over which the Company has control) amounted to RMB14,458.1 million and RMB13,704.4 million, respectively, of which the total assets of the Company amounted to RMB14,065.9 million and RMB12,907.9 million, respectively. The Group's major assets consist of (i) loans and advances to customers, (ii) debt investments, (iii) long-term equity investments, (iv) financial assets held for trading, (v) monetary assets, (vi) accounts receivable, and (vii) financial assets purchased under resale agreements. As at 30 June 2023, the above-mentioned major assets accounted for 14.8%, 27.5%, 6.3%, 35.7%, 1.8%, 1.2% and 3.6% of the total assets of the Group, respectively.

Loans and Advances to Customers

The following table sets forth the principal amount of the Group's loans and advances to customers, interest receivable, expected credit losses ("ECL") allowance, net amount of the Group's loans and advances to customers:

Item	30 June 2023	31 December 2022 (Audited)
		<i>(RMB in thousands)</i>
Principal amount of loans and advances to customers	2,273,815	1,238,308
Including: Issued by the Company	115,000	115,000
Issued by consolidated structured entities	2,158,815	1,123,308
Interest receivable	35,134	15,709
Less: ECL allowance – principal amount	284,437	229,179
ECL allowance – interest receivable	1,851	867
Loans and advances to customers, net	<u>2,022,661</u>	<u>1,023,971</u>

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

The Group's loans and advances 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 increased by 53.8% from RMB377.6 million as at 31 December 2022 to RMB580.6 million as at 30 June 2023. 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 2022 and 30 June 2023 were RMB267.5 million and RMB645.0 million, respectively. The Group determined the provision for impairment losses on those loans through ECL assessments and made allowance for impairment of RMB176.3 million and RMB196.1 million for these impaired loans as at 31 December 2022 and 30 June 2023, respectively, representing 46.7% and 33.8% of the gross amount of those loans, respectively. The Group has provided impairment allowances in accordance with the provisions under the CASBE No.22 "Recognition and Measurement of 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. The gross amount of such impaired loans represented 30.5% and 25.5% of the Group's gross loans and advances to customers as at 31 December 2022 and 30 June 2023, respectively.

The Company is allowed to grant loans to customers using its proprietary assets, which are referred to as the Company's proprietary loans. As at 30 June 2023, the principal balance of Company's proprietary loans was RMB115 million, which remain stable with the beginning of the year.

The following table sets forth the gross amount of the Company's proprietary loans, interest receivable, ECL allowance, net amount of such loans:

	30 June 2023	31 December 2022 (Audited)
	<i>(RMB in thousands)</i>	
Principal amount of loans and advances to customers	115,000	115,000
Interest receivable	3,882	297
Less: ECL allowance – principal	5,884	7,697
ECL allowance – interest receivable	199	20
Loans and advances to customers, net	<u>112,799</u>	<u>107,580</u>

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

Debt Investments

The following table sets forth the Company's total debt investments, ECL allowance, net debt investments as at the date indicated:

	30 June 2023	31 December 2022 (Audited)
		<i>(RMB in thousands)</i>
Principal	6,130,788	6,005,546
Interest receivable	3,983	3,358
Total	6,134,771	6,008,904
Less: ECL allowance – principal	2,368,004	2,176,002
ECL allowance – interest receivable	178	167
Net amount	<u>3,766,589</u>	<u>3,832,735</u>

Long-term Equity Investments

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 directly invested by the Company accounted for using the equity method, the associates invested by the consolidated structured entities measured at fair value and the book value of investments in them as at the dates indicated:

	Equity Interest	As at
	as at 30 June	31 December
	2023	2022
		(Audited)
		<i>(RMB in thousands)</i>
Associates directly invested by the		
Company accounted for using		
equity method:		
Taishan Property & Casualty Insurance Co., Ltd. (泰山財產保險股份有限公司)	7.40%	173,236
		171,033
Sinotruk Automobile Finance Co., Ltd. (重汽汽車金融有限公司)	6.52%	219,758
		218,079
Dezhou Bank Co., Ltd. (德州銀行股份有限公司)	2.37%	129,153
		122,823
Anhui Luxin Private Equity Investment Fund Management Co., Ltd. (安徽魯信私募股權投資基金管理有限公司)	25.00%	3,063
		3,768
Subtotal		525,210
		515,703
Associates measured at fair value invested		
by the consolidated structured entities		337,833
		387,404
Total		863,043
		903,107

Financial Assets Held for Trading

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

Item	As at 30 June 2023	As at 31 December 2022 (Audited)
	<i>(RMB in thousands)</i>	
Equity investments	2,120,349	639,580
Including: Stock investments	1,539,579	43,366
Equity investments in unlisted companies	580,770	596,214
Investment in asset management scheme	1,116,250	697,701
Public fund investments	738,739	1,472,194
Bond investments	47,275	390,546
Investments in trust schemes	762,820	773,060
Trust Industry Protection Fund	112,461	109,880
Total	4,897,894	4,082,961

The changes in the major composition of the Group's financial assets held for trading were due to the flexible adjustment of portfolio based on the market conditions by the Group in order to increase investment returns. Financial assets held for trading increased by 20.0% from RMB4,083.0 million on 31 December 2022 to RMB4,897.9 million on 30 June 2023, primarily due to the Group's (i) increase of the equity investments as a result of the increase in stock investments; (ii) increase of the investments in asset management schemes; (iii) decrease of the public fund investments; and (iv) decrease of the bond investments.

Monetary Assets

As at 31 December 2022 and 30 June 2023, the Group's monetary assets amounted to RMB2,240.6 million and RMB250.0 million, respectively, of which RMB2,208.3 million and RMB180.5 million, respectively, were proprietary assets of the Company, and the remaining was cash and bank balance of the Group's consolidated trust schemes.

Accounts Receivable

Accounts 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 increased by 11.0% from RMB148.1 million on 31 December 2022 to RMB164.4 million on 30 June 2023. 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 installments 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 2023, 17.99% 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 RMB357.3 million on 31 December 2022 to RMB499.6 million on 30 June 2023. 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 2022 and 30 June 2023, respectively.

Liabilities

As at 31 December 2022 and 30 June 2023, the Group's total liabilities amounted to RMB3,523.9 million and RMB2,594.9 million, respectively. As a trust company in the PRC, the Company is not allowed to incur any debt in operating its business other than through inter-bank borrowings or otherwise allowed by the NAFR. The Group's major liabilities during the Reporting Period included short-term borrowings, employee benefits payable, provisions and other liabilities. As at 30 June 2023, the above liabilities accounted for 27.1%, 4.5%, 4.4% and 57.8% of the Group's total liabilities, respectively.

Short-term Borrowings

As at 30 June 2023, the Group's short-term borrowings amounted to RMB703.9 million were interest-bearing loans from China Trust Protection Fund Co., Ltd. that will fall due in April, May and June 2024, respectively.

Provisions

As at 30 June 2023, the Group's provisions amounted to RMB114.4 million were estimated litigation compensation.

Other Liabilities

The Group's other liabilities during the Reporting Period consisted mainly of net assets attributable to third-party trust beneficiaries of consolidated structured entities, proceeds due to the National Council for Social Security Fund of the PRC (全國社會保障基金理事會), Trust Industry Protection Fund collected from counterparty clients of financing trusts, advances from trust schemes and other investments, etc.

The net assets attributable to third-party trust 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 net assets attributable to third-party trust beneficiaries of consolidated structured entities increased by 158.3% from RMB243.9 million on 31 December 2022 to RMB630.0 million on 30 June 2023. 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.

The Company's Trust Industry Protection Fund collected from counterparty clients of its financing trusts increased from RMB299.3 million as at 31 December 2022 to RMB332.0 million as at 30 June 2023.

The Company's receipts in advance from trust schemes and other investments are advances received from equity investments in consolidated structured entities, which are presented as other liabilities in the consolidated statements as the revenue recognition criteria are not met, and increased from RMB220.8 million on 31 December 2022 to RMB235.5 million on 30 June 2023.

Off-balance Sheet Arrangements

As at 30 June 2023, the Group did not have any outstanding off-balance sheet guarantees or foreign currency forward contracts.

3.4 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 CASBE. 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 2022 and the six months ended 30 June 2023, the Company had consolidated 19 and 21 of the trust schemes under its management, respectively, and the total trust assets of these consolidated trust schemes were RMB1,892.4 million and RMB2,778.8 million, respectively. The following table sets forth changes in the number of the Group's consolidated trust schemes during the Reporting Period:

	As at 30 June 2023	As at 31 December 2022
Beginning:	19	32
Newly consolidated trust schemes	4	1
Deconsolidated trust schemes	2	14
Ending:	21	19

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 held for trading, long-term equity investments 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 2023	As at 31 December 2022 (Audited)
	<i>(RMB in thousands)</i>	
Total assets of the Company	12,908	14,066
Total assets of consolidated trust schemes	2,779	1,892
Consolidation adjustment	-1,983	-1,500
Total assets of the Group	<u>13,704</u>	<u>14,458</u>

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 "other liabilities" 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:

	30 June 2023	31 December 2022 (Audited)
	<i>(RMB in thousands)</i>	
Total liabilities of the Company	1,870	3,203
Total liabilities of consolidated trust schemes	290	234
Consolidation adjustment	435	87
Total liabilities of the Group	<u>2,595</u>	<u>3,524</u>

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:

	30 June 2023	31 December 2022 (Audited)
	<i>(RMB in thousands)</i>	
Total equity of the Company	11,038	10,863
Consolidation adjustment	<u>71</u>	<u>71</u>
Total equity of the Group	<u><u>11,109</u></u>	<u><u>10,934</u></u>

The consolidation of these trust schemes also 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. However, as these impacts on income and expenses largely offset each other, the resulting impact on the Group's net profit has been reduced. The following table illustrates the impact on the Group's net profit resulting from the consolidation of these trust schemes during the Reporting Period:

**For the six months
ended 30 June
2023 2022**
(RMB in millions)

Net profit of the Company before consolidation of trust schemes	175	284	
Impact of consolidation of trust schemes	0	-4	
Net profit of the Group after consolidation of trust schemes	175	280	

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 CASBE, 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.

3.5 Risk Management

Overview

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

3.5.1 Risk Management Organisational Structure

The integrated risk management organisational structure of the Company is included in every level of the Company's corporate governance, including (1) the shareholders' general meeting; (2) the Board of Directors and Strategies and Risk Management Committee and Audit Committee thereof; (3) the Board of Supervisors; (4) the General Manager's Office Meeting; (5) the Business Decision Committee; (6) the Trust Business Review Committee/Capital Market Business Review Committee; (7) the Trust Business Ad-hoc Issue Coordination Group; and (8) other functional departments, including the Risk Control Department, Legal & Compliance Department, Capital Market Business Review Centre, 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.

3.5.2 Factors Affecting the Company's Results of Operations

The following factors are the principal adverse and favourable factors that have affected and are expected to 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. 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. NAFR (formerly the CBIRC), the main regulatory authority for the PRC trust industry, has been continuously monitoring the development status of the industry and issuing various regulations and policies to encourage or discourage or even prohibit conducting certain types of trust business from time to time. The Company will need to continuously adjust its trust business structure and mode of operation to conform to these regulations and policies, which may have positive or negative impact on the size, income or profitability of the Company's trust business. In April 2018, the People's Bank of China ("PBOC"), the CBIRC, the China Securities Regulatory Commission and the State Administration of Foreign Exchange jointly issued the Guiding Opinions on Regulating Asset Management Business of Financial Institution (Yin Fa [2018] No. 106) (《關於規範金融機構資產管理業務的指導意見》(銀發[2018]106 號)) to unify the regulatory standards of asset management business by product types, requiring, among other things, financial institutions including trust companies to carry out "de-channeling" and "reduce nested systems" in conducting the asset management business. In 2020, the CBIRC made clear requirements for the pressure drop of trust companies' channel business and financing business, insisting on the goal of "de-channeling", continuing to standardise business development and guiding trust companies to accelerate business model transformation. In March 2023, the CBIRC issued the Notice on Standardizing the Classification of Trust Business of Trust Companies, which further clarifies the boundaries and service content of trust business, guides trust companies to give full play to institutional advantages and industry competitive advantages, promotes trust companies to return to their origin, standardise development, and promotes the high-quality development of the trust industry. 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. 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, institutions such as commercial banks, and commercial bank wealth management subsidiaries, securities firms, fund management companies, private securities investment funds, private equity investment funds and insurance companies have diversified their assets and wealth management services. As such, the Company's ability to grow its investment trust business depends on the Company's ability to effectively compete with these financial institutions through offering a variety of trust products that are tailored to the different needs of the Company's trustor clients.

Interest Rate Environment

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

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

3.5.3 Credit Risk Management

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

During the Reporting Period, in strict compliance with credit risk management guidelines and other regulatory requirements issued by the NAFR, 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 Company used the intelligent risk control system independently designed and developed by itself to realise 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 solution and disposition measures in a timely manner to minimise the potential loss.

Credit Risk Management on Proprietary Business

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

3.5.4 Market Risk Management

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

3.5.5 Liquidity Risk Management

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

During the Reporting Period, the Company conducted periodical forecasts of the Company's cash flows and monitored the short-term and long-term capital needs of the Company to ensure sufficient cash reserve and financial assets that could be readily convertible into cash. The Company holds sufficient unrestricted bank deposits and cash on hand to meet the capital requirements of the Company's day-to-day operations.

3.5.6 Compliance Risk Management

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

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

3.5.7 Operational Risk Management

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

3.5.8 Reputational Risk Management

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

3.5.9 Other Risk Management

The Company enhanced its foresight and adaptability and controlled the policy risks by analysing and researching on the national macroeconomic policies and industrial policies. A sound corporate governance structure, an internal control system and business operational procedures had been established to ensure complete and scientific work logistics. The Company consistently strengthened the ideological education for its employees, fostered their 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.

3.5.10 Anti-money Laundering Management

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

The Company established an Anti-Money Laundering Leading Work Group for anti-money management, appointed the General Manager of the Company as the chairperson of the group, and the Chief Risk Officer who was responsible for legal and compliance matters as the vice chairperson of the group, and the heads of other relevant departments as members of the group. There is an anti-money laundering work 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.

3.6 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 NAFR. 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 NAFR 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 2023, the Company's net capital was approximately RMB8.972 billion, which is not less than RMB200 million; the total risk-based capital was approximately RMB2.702 billion; the ratio of net capital to total risk-based capital was 332.01%, which is not lower than 100%; and the ratio of net capital to net asset was 81.29%, which is not lower than 40%.

3.7 Future Prospect

In the future, the world economy will still face the risk of long-term low growth. Coupled with rising global debt burden, inflation and high interest rates, geopolitical conflicts, rising trade protectionism and other factors, there are still considerable uncertainties in the global economy and market. With the gradual effectiveness of various consumption promotion policies and property stabilization policies in China, the overall economy of China has shown a moderate recovery trend. In the medium and long term, on the basis of strong national governance capabilities and huge domestic market potential, China will adhere to the new development concept and build a new development pattern of "dual circulation", which will be conducive to improving the sustainability and stability of economic development, and the economic fundamentals will be improved in the long run.

With the continuous expansion of middle-income groups in China and the continuous accumulation of residents' wealth, the wealth management needs of HNWIs are increasingly growing, which provides broad development space for trust companies. The timely introduction of the new three categories of trust business will guide the industry to give full play to the advantages of trust system and industry competitive advantages in a standardised manner, and will accelerate the high-quality development of trust industry, laying a foundation for the trust industry to find differentiated competitiveness in the financial system.

SITC adheres to the guidance of regulatory policies and the reform of the trust business classification, sticks to the positioning of trustee, insists on returning to the origin of trust, focuses on forging and improving risk management capabilities, asset allocation and investment research capabilities, continues to improve the quality and efficiency of serving the real economy, seizes new opportunities for the development of the capital market, makes every effort to build a "allocation-oriented" wealth management system, provides high-quality financial services for the development of the real economy and people's better life, and works together to build a new pattern of high-quality development of the Company.

4. PROFITS AND DIVIDENDS

The Company's profit for the six months ended 30 June 2023 is set out in "3. Management Discussion and Analysis – 3.3 Financial Overview" in this results announcement.

The Company will not declare an interim dividend for the year of 2023.

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

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

Members of the Board of Directors include Mr. Wan Zhong (chairperson) and Mr. Fang Hao (general manager) as executive Directors; Mr. Wang Zengye (vice chairperson), Mr. Zhao Zikun and Ms. Wang Bailing as non-executive Directors; Ms. Zhang Haiyan, Mr. Zheng Wei and Ms. Meng Rujing as independent non-executive Directors.

Members of the Board of Supervisors include Mr. Guo Shougui (chairperson of the Board of Supervisor), Mr. He Shuguang, Mr. Chen Yong, Mr. Wu Chen and Ms. Wang Zhimei as shareholder representative Supervisors; Ms. Wang Yan as external Supervisor; Ms. Li Yan, Mr. Zhang Wenbin and Mr. Wei Xiangyang as employee representative Supervisors.

Members of the senior management of the Company 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. Niu Xucheng and Mr. Qi Guanyi as vice general managers; Mr. Tian Zhiguo as chief risk officer; Mr. Sun Botao and Mr. Cui Fang as assistants to general manager.

Changes of Directors

Upon the recommendation of the Board of Directors, Ms. Zhang Haiyan was elected as independent non-executive Director in the third extraordinary general meeting of the Company for the year 2022 held on 30 November 2022. The qualification of Ms. Zhang as independent non-executive Director was approved by the Shandong Office of CBIRC on 13 April 2023. Pursuant to the relevant provisions of applicable laws and regulations and the articles of association of the Company (the “**Articles of Association**”), Mr. Yen Huai-chiang ceased to serve as an independent non-executive Director due to the expiry of his term of office following the approval of Ms. Zhang Haiyan’s qualification by the Shandong Office of CBIRC.

Ms. Meng Rujing (“**Ms. Meng**”) ceased to serve as an independent non-executive Director, chairperson of the nomination and remuneration committee and a member of the audit committee of the Board of Directors due to the expiration of her term of office. Her departure shall take effect upon the approval of the qualification of the new independent non-executive Director of the Company by the Shandong Office of the National Administration of Financial Regulation. The Board proposes to appoint Ms. Liu Wanwen (“**Ms. Liu**”) as an independent non-executive Director, and to serve as the chairperson of the nomination and remuneration committee and a member of the strategy and risk management committee of the Board of Directors. The appointment of Ms. Liu is subject to the approval of the shareholders at the general meeting and the approval of her qualification by the Shandong Office of the National Administration of Financial Regulation.

Changes of Supervisors

Mr. Hou Zhenkai tendered his resignation as a shareholder representative Supervisor with effect from 16 May 2023 due to work adjustment. Mr. He Shuguang was considered and approved by the shareholders at the 2022 annual general meeting as a shareholder representative Supervisor with effect from 14 June 2023.

Changes of Senior Management

The Company held a meeting of the Board of Directors on 26 August 2021, considered and approved the Resolution on Appointment of Vice General Manager of the Company, and agreed to appoint Mr. Qi Guanyi as a vice general manager of the Company. The qualification of Mr. Qi Guanyi was approved by the Shandong Office of CBIRC on 8 March 2023.

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

6. CORPORATE GOVERNANCE CODE

The Company is committed to maintaining high standard of corporate governance to safeguard the interests of the shareholders of the Company 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.

7. 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.

8. PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES

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

9. SIGNIFICANT EVENTS

9.1 Change of Registered Capital, Capital Structure and Shareholding of Shareholders

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

9.2 Changes in Basis of Preparation of Financial Statements and Adoption of CASBE

Since the listing of the H shares of the Company on The Stock Exchange Hong Kong Limited (the “**Hong Kong Stock Exchange**”), the Company has been preparing its financial statements in accordance with CASBE and International Financial Reporting Standards (IFRS). According to the Consultation Conclusions on Acceptance of Mainland Accounting and Auditing Standards and Mainland Audit Firms for Mainland Incorporated Companies Listed in Hong Kong (《有關接受在香港上市的內地註冊成立公司採用內地的會計及審計準則以及聘用內地會計師事務所的諮詢總結》) published by the Hong Kong Stock Exchange and the Pilot Work Plan for Accounting Firms Engaged in Audit Business for H Share Enterprises (《會計師事務所從事 H 股企業審計業務試點工作方案》) issued by the Ministry of Finance (the “**MOF**”) and the China Securities Regulatory Commission (the “**CSRC**”), the issuers incorporated in mainland China and listed in Hong Kong are approved to adopt CASBE to prepare their financial statements, and China accounting firms recognised by the MOF and the CSRC are approved to adopt CASBE to audit such financial statements.

In view of the fact that the Company mainly conducts its business in mainland China and for the sake of facilitating the understanding and provision of more concise and understandable accounting information to users of the financial statements (including domestic and overseas investors), the Board recommends to change the basis of preparation of the financial statements of the Company from both IFRS and CASBE and the applicable laws and regulations to CASBE and the applicable laws and regulations only.

The proposed adoption of CASBE and the relevant amendments to the Articles of Association have been considered and approved by the Shareholders at the 2022 annual general meeting held on 14 June 2023 and became effective since 11 August 2023 when the Shandong Office of the National Administration of Financial Regulation approved the relevant amendments to the Articles of Association.

Certain financial items of the Company are expected to be adjusted upon the Company's adoption of the CASBE. In view of this, the Company would like to provide further information to illustrate the major differences between the financial statements of the Company under CASBE and IFRS, and the relevant differences are explained as follows:

Accounting treatment for changes in shareholding and share of the investor due to capital increase of the investee by other shareholders under the equity method of long-term equity investments

Under CASBE, the investor shall adjust the carrying amount of the long-term equity investments according to the proportion of equity held, and at the same time, it shall be included in the capital reserve (other capital reserve). Under IFRS, the investor shall adjust the carrying amount of the long-term equity investments according to the proportion of equity held, and at the same time, it shall be included in the investment income.

To the best of the Directors' knowledge, information and belief, the preparation of all financial statements of the Company in accordance with the CASBE would not have any material impact on the financial position, operating results and cash flow of the Company in 2023 and in the future. The Board of Directors considers that the adoption of CASBE is in the interests of the Company and its shareholders as a whole.

9.3 Proposed Amendments to the Articles of Association

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

In 2022, the Company amended the Articles of Association according to the Provisional Measures of Equity Management of Trust Companies (《信託公司股權管理暫行辦法》) and other laws and regulations, as well as the latest regulatory provisions, combining the corporate governance practice of the Company. Based on the proposed amendments to the Articles of Association, the Board of Directors and the Board of Supervisors proposed to amend the relevant provisions in the procedural rules for the general meeting, the procedural rules for the Board of Directors and the procedural rules for the Board of Supervisors of the Company, respectively. The aforesaid amendments to the Articles of Association have been considered and approved by the shareholders at the 2022 fourth extraordinary general meeting convened on 29 December 2022, and were approved by the Shandong Office of CBIRC on 3 April 2023. The amendments to the procedural rules for the Board of Directors, the procedural rules for the Board of Supervisors and the procedural rules for the general meeting have been considered and approved by the shareholders of the Company at the 2022 fourth extraordinary general meeting convened on 29 December 2022, and were effective from the same day of the approval of the proposed amendments to the Articles of Association.

In view of the aforesaid changes in the basis of preparation of the financial statements, the Company also proposes to amend the relevant provisions of the Articles of Association in relation to the preparation of the financial statements of the Company to comply with CASBE and the applicable laws and regulations. In addition to the proposed change in the basis of preparation of the financial statements, the Board of Directors also proposed to amend the relevant provisions of the Articles of Association in respect of the following matters: (i) specifying the time limit for shareholders to notify the Company in writing under specified circumstances in accordance with the Interim Measures for the Equity Management of Trust Companies; (ii) in order to strengthen the prior control of major events of the Company, improve the corporate governance structure and enhance the quality and efficiency of decision-making of the Company, the Company intends to cease the establishment of the business decision committee of the Board of Directors and adjust the procedural rules for the Board of Directors with reference to the requirements of corporate governance of state-owned enterprises and industry regulatory

policies; and (iii) the amendments to the Articles of Association in accordance with the opinion of the Shandong Office of CBIRC (the “**Proposed Amendments to the Articles of Association**”). The Proposed Amendments to the Articles of Association were considered and approved by the shareholders at the 2022 annual general meeting held on 14 June 2023, and approved by the Shandong Office of the National Administration of Financial Regulation on 11 August 2023.

In view of the Proposed Amendments to the Articles of Association, the Board also proposed to make corresponding amendments to the procedural rules for the Board of Directors. The proposed amendments to the procedural rules for the Board of Directors were considered and approved by the shareholders at the 2022 annual general meeting held on 14 June 2023, and became effective on the same date as the Proposed Amendments to the Articles of Association were approved.

9.4 Material Legal Proceedings and Arbitration

As at 30 June 2023, the Company, being the plaintiff and applicant, was involved in 10 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 RMB3,067.3 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 Company’s trusts.

As at 30 June 2023, the Company, being the defendant, were involved in 2 pending material litigation cases involving an amount of more than RMB10 million. The value of litigation in which we were involved totalled approximately RMB166.9 million. These cases were mainly contractual disputes.

9.5 Material Disposal of Assets

The Company entered into an equity transfer agreement with Shandong Lucion Investment Holdings Group Co., Ltd. (“**Lucion Group**”) on 25 November 2022 (the “**Equity Transfer Agreement**”), pursuant to which the Company has conditionally agreed to sell and Lucion Group has conditionally agreed to acquire 500,000,000 ordinary shares of Shandong Financial Asset Management Co., Ltd. at a consideration of RMB675,177,700 (the “**Equity Transfer**”).

The Equity Transfer constitutes a notifiable transaction of the Company under Chapter 14 of the Listing Rules. Since the Lucion Group is a controlling shareholder of the Company, it is therefore a connected person of the Company under the Listing Rules. Thus, the Equity Transfer Agreement and the transactions contemplated thereunder constitute a connected transaction of the Company under Chapter 14A of the Listing Rules. Since one or more of the applicable percentage ratio(s) (as defined under the Listing Rules) in respect of the Equity Transfer Agreement and the transactions contemplated thereunder exceeds 25% but all are less than 75%, the Equity Transfer constitutes a major transaction 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 Equity Transfer Agreement and the transactions contemplated thereunder have been considered and approved by independent shareholders at the 2022 fourth extraordinary general meeting held on 29 December 2022. As at 6 February 2023, the Equity Transfer has been completed.

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

9.6 Change of Overseas Auditor

In view of the above changes in the standards for the preparation of the financial statements of the Company, the Board of Directors also proposed to change the overseas auditor of the Company from SHINEWING (HK) CPA Limited to ShineWing Certified Public Accountants LLP. ShineWing Certified Public Accountants LLP is a certified public accounting firm approved by the MOF and the CSRC and is qualified to adopt CASBE to provide auditing services for enterprises incorporated in mainland China and listed in Hong Kong. Upon consideration and approval of the proposed change of overseas auditor by the shareholders at the 2022 annual general meeting to be held on 14 June 2023, ShineWing Certified Public Accountants LLP has become the only auditor auditing the financial statements of the Company in accordance with CASBE and will assume the duties of an overseas auditor in accordance with the Listing Rules.

ShineWing Certified Public Accountants LLP has been appointed as the auditor to review the financial information for the period ended 30 June 2023 prepared in accordance with CASBE. The interim financial information disclosed in this result announcement have not been audited. ShineWing Certified Public Accountants LLP has reviewed the accompanying interim condensed consolidated financial information, which was prepared in accordance with CASBE.

9.7 Continuing connected transaction – revision of the existing annual caps for the Lucion Group Trust Framework Agreement

On 30 November 2022, the Company entered into the Lucion Group Trust Framework Agreement with Lucion Group for a term of three years commencing from 1 January 2023 and ending on 31 December 2025. The Board of Directors considered to revise and increase the existing annual caps under the Lucion Group Trust Framework Agreement, i.e. (i) trustee's remuneration to be received from the trusts of which Lucion Group and/or its associates are trustors, and (ii) maximum outstanding balance of the assets and funds to be entrusted by Lucion Group and/or its associates for the three years commencing from 1 January 2023 and ending on 31 December 2025, from RMB65 million and RMB6.5 billion to RMB120 million and RMB12 billion, respectively.

Since Lucion Group is the controlling shareholder of the Company, Lucion Group is a connected person of the Company under the Listing Rules. Thus, the transactions to be contemplated under the Lucion Group Trust Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Pursuant to Rule 14A.54(1) of the Listing Rules, if the Company intends to revise the annual caps for continuing connected transactions, the Company will be required to re-comply with the relevant provisions under Chapter 14A of the Listing Rules in respect of the relevant continuing connected transactions. As the highest applicable percentage ratio in respect of the Revised Annual Caps for the transactions contemplated under the Lucion Group Trust Framework Agreement is higher than 5%, the transactions to be contemplated thereunder are subject to the reporting, announcement, annual review, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

10. SUBSEQUENT EVENTS

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

11. EXTRACT OF INTERIM FINANCIAL STATEMENTS

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

11.1 Interim Condensed Consolidated Income Statement

Item	Note	<i>Unit: RMB</i>	
		January to June 2023	January to June 2022
I. Total operating income		836,157,364.37	805,699,876.65
Net Interest Income	10	35,014,025.25	-21,036,860.77
Including: Interest income	10	75,332,384.05	37,600,576.38
Interest expense	10	40,318,358.80	58,637,437.15
Net fee and commission income	11	418,611,671.63	515,606,535.34
Including: Fee and commission income	11	421,228,725.81	519,484,471.58
Fee and commission expenses	11	2,617,054.18	3,877,936.24
Investment income (losses indicated in “-”)	12	133,774,950.24	227,917,843.35
Including: Income from investment in associates and joint ventures		10,152,591.24	191,254,365.92
Net exposure hedging income (losses indicated in “-”)		-	-
Other income		-	-
Gains from changes in fair value (losses indicated in “-”)	13	212,071,055.06	35,870,000.67
Gains from changes in net assets attributable to third-party investors in consolidated structured entities (losses indicated in “-”)		31,763,513.05	46,026,020.78
Exchange gain (losses indicated in “-”)		0.34	0.42
Other operating income		4,899,395.52	1,316,336.86
Gains on disposal of assets (losses indicated in “-”)		22,753.28	-

Item	<i>Note</i>	January to June 2023	January to June 2022
II. Total operating costs		447,435,774.27	1,501,525,661.58
Tax and surcharges	<i>14</i>	5,193,112.60	6,199,183.84
Business and administrative expenses	<i>15</i>	163,970,832.11	147,673,633.04
Credit impairment losses	<i>16</i>	278,020,439.58	1,347,287,292.44
Impairment losses on other assets			
Other operating costs		251,389.98	365,552.26
III. Operating profit (losses indicated in “-”)		388,721,590.10	-695,825,784.93
Add: Non-operating income		2,922,007.48	364,245.48
Less: Non-operating expenses	<i>17</i>	115,721,630.92	403,552.00
IV. Total profit (total losses indicated in “-”)		275,921,966.66	-695,865,091.45
Less: Income tax expenses	<i>18</i>	100,844,791.11	-221,593,375.75
V. Net profit (net loss indicated in “-”)		175,077,175.55	-474,271,715.70
(I) Categorised by the nature of continuing operations:		175,077,175.55	-474,271,715.70
1. Net profit from continuing operations (net loss indicated in “-”)		175,077,175.55	-474,271,715.70
2. Net profit from discontinued operations (net loss indicated in “-”)		-	-
(II) Categorised by ownership:		175,077,175.55	-474,271,715.70
1. Net profit attributable to owner of the parent company (net loss indicated in “-”)		175,077,175.55	-474,271,715.70
2. Profit or loss attributable to non-controlling interests (net loss indicated in “-”)		-	-

Item	<i>Note</i>	January to June 2023	January to June 2022
VI. Other comprehensive income, net of tax		136,296.86	-3,198,789.78
Other comprehensive income attributable to the owner of the parent company, net of tax		136,296.86	-3,198,789.78
(I) Other comprehensive income that cannot be reclassified to profit or loss		-	-
1. Changes from recalculation of defined benefit plan		-	-
2. Other comprehensive income that cannot be reclassified to profit or loss under equity method		-	-
3. Change in fair value of other equity instrument investments		-	-
4. Change in fair value of credit risk of corporate		-	-
5. Other		-	-
(II) Other comprehensive income that will be reclassified to profit or loss		136,296.86	-3,198,789.78
1. Other comprehensive income that can be reclassified to profit or loss under equity method		136,296.86	-3,198,789.78
2. Change in fair value of other debt investments		-	-
3. Financial assets reclassified into other comprehensive income		-	-
4. Credit impairment provision for other debt investments		-	-
5. Hedging reserves from cash flows (effective part of cash flow hedging profit or loss)		-	-
6. Differences on translation of foreign currency financial statements		-	-
7. Other		-	-
Net other comprehensive income after tax attributable to non-controlling interests			
VII. Total comprehensive income		175,213,472.41	-477,470,505.48
Total comprehensive income attributable to the owner of the parent company		175,213,472.41	-477,470,505.48
Total comprehensive income attributable to non-controlling interests			
VIII. Earnings per share:			
(I) Basic earnings per share (RMB/share)	<i>19</i>	0.04	-0.10
(II) Diluted earnings per share (RMB/share)	<i>19</i>	0.04	-0.10

11.2 Interim Condensed Consolidated Balance Sheet

Item	Note	<i>Unit: RMB</i>	
		30 June 2023	31 December 2022
Assets:			
Monetary assets	3	249,949,949.65	2,240,590,484.12
Clearing settlement funds			
Precious metal			
Interbank lendings			
Derivative financial assets			
Accounts receivable		164,390,541.58	148,127,333.84
Prepayments		32,204,721.16	29,378,525.80
Other receivables			
Including: Interest receivable			
Dividend receivables			
Contract assets			
Financial assets purchased under resale			
agreements		499,593,539.24	357,260,491.66
Assets classified as held for sale		–	675,177,700.00
Loans and advances to customers	4	2,022,660,837.69	1,023,971,094.19
Financial Investments			
Financial assets held for trading	5	4,897,894,398.20	4,082,960,835.53
Debt investments	6	3,766,589,071.42	3,832,734,832.93
Other debt investments			
Other equity instrument investments			
Long-term equity investments	7	863,043,317.96	903,107,179.86
Investment properties		135,725,550.35	137,608,274.04
Fixed assets		124,923,299.48	127,797,634.76
Construction in progress			
Right-of-use assets		60,403,268.83	69,561,255.56
Intangible assets		26,118,049.47	29,095,856.02
Long-term amortisation expenses		26,893,028.76	31,411,425.43
Deferred income tax assets		604,704,481.26	558,385,133.18
Other assets		229,260,459.65	210,964,215.86
Total assets		13,704,354,514.70	14,458,132,272.78

Item	Note	30 June 2023	31 December 2022
Liabilities			
Short-term borrowings	8	703,876,406.25	2,005,323,555.59
Interbank borrowings			
Financial assets held for trading			
Derivative financial liabilities			
Financial assets sold under repurchase agreements			
Employment benefits payable		115,760,691.94	84,252,667.37
Taxes payable		83,967,594.96	270,195,144.91
Other payables			
Accounts payable			
Receipt in advance			
Contract liabilities		25,356,707.65	36,220,691.99
Liabilities held for sale			
Long-term borrowings			
Bonds payable			
Including: Preferred shares			
Perpetual bonds			
Lease liabilities		51,694,015.85	60,356,150.44
Provisions	9	114,430,547.95	–
Deferred income tax liabilities			
Other liabilities		1,499,787,206.14	1,067,516,190.93
Total liabilities		2,594,873,170.74	3,523,864,401.23
Shareholders' equity:			
Paid up capital		4,658,850,000.00	4,658,850,000.00
Other equity instruments			
Including: Preferred shares			
Perpetual bonds			
Capital reserve		160,049,183.05	160,049,183.05
Less: Treasury shares			
Other comprehensive income		-1,594,245.00	-1,730,541.86
Surplus reserve		979,430,230.51	979,430,230.51
Trust compensation provision		729,761,464.80	729,761,464.80
General risk provision		524,007,943.40	524,007,943.40
Undistributed profit		4,058,976,767.20	3,883,899,591.65
Total shareholders' equity		11,109,481,343.96	10,934,267,871.55
Total liabilities and shareholders' equity		13,704,354,514.70	14,458,132,272.78

11.3 Notes to the Interim Condensed Consolidated Financial Information

(All amounts in RMB unless otherwise stated)

1 BASIC INFORMATION ABOUT THE COMPANY

Shandong International Trust Co., Ltd. (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 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 2023, the amount of share capital was RMB4,658,850,000.00 with a par value of RMB1 per share.

The Company operates under the financial service certificate No. 01052451 issued by the former China Banking Regulatory Commission (hereinafter referred to as the “**former CBRC**”) in November 2022. As approved by the former CBRC, the principal activities of the Company 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.

Registered office: Partial area of 1/F, 2/F and 13/F, 32 – 35/F and 40/F, Tower A, No. 2788 Aoti West Road, Lixia District, Jinan

Legal representative: Wan Zhong (萬眾)

Registered capital: RMB4,658.85 million

The Company belongs to the trust industry. Scope of business: the businesses as approved by China Banking Regulatory Commission in accordance with the relevant laws, administrative regulations and other requirements, while the business scope shall be subject to those as set out on the approval documents. (the validity period shall be subject to the licenses or permits). (for items subject to approval according to laws, operation activities may not be commenced until the approval has been obtained from the relevant authorities).

The parent company of the Company is Shandong Lucion Investment Holdings Group Co., Ltd. (hereinafter referred to as “Lucion Group”). The controlling shareholder of Lucion Group is Shandong Provincial Department of Finance.

II. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

(1) Basis of preparation

The financial statements are prepared in accordance with the Accounting Standard for Business Enterprises – Basic Standard, and the specific accounting standards and other relevant regulations issued by the MOF on 15 February 2006 and in subsequent periods (hereafter collectively referred to as “ASBE”).

(2) Going concern

The Company has the ability to continue as a going concern for at least 12 months from the end of the Reporting Period, and there is no significant event that affects the ability to continue as a going concern.

3 MONETARY ASSETS

Item	Closing balance	Opening balance
Cash on hand		
Bank deposits	214,516,518.11	436,339,318.04
Other monetary assets	<u>35,433,431.54</u>	<u>1,804,251,166.08</u>
Total	<u>249,949,949.65</u>	<u>2,240,590,484.12</u>
Including: Total amount deposited overseas		

4 LOANS AND ADVANCES TO CUSTOMERS

Item	Closing balance	Opening balance
Principal of loans and advances to customers	2,273,814,915.22	1,238,307,700.00
Including: Distributed by the Company	115,000,000.00	115,000,000.00
Distributed by the consolidated structured entities	2,158,814,915.22	1,123,307,700.00
Interest receivable	35,134,115.26	15,708,960.54
Less: ECL allowance – principal	284,437,301.62	229,178,466.82
ECL allowance – Interest receivable	<u>1,850,891.17</u>	<u>867,099.53</u>
Net loans and advances to customer	<u>2,022,660,837.69</u>	<u>1,023,971,094.19</u>

5 FINANCIAL ASSETS HELD FOR TRADING

Item	Closing balance	Opening balance
Equity investments	2,120,348,277.45	639,579,893.59
Including: Stock investments	1,539,578,542.61	43,366,067.00
Equity investments in unlisted companies	580,769,734.84	596,213,826.59
Investment in asset management schemes	1,116,250,080.40	697,700,734.59
Public fund investments	738,739,182.42	1,472,193,837.84
Bond investments	47,275,401.98	390,546,036.30
Investment trust schemes	762,820,239.03	773,059,591.74
Trust Industry Protection Fund	<u>112,461,216.92</u>	<u>109,880,741.47</u>
Total	<u>4,897,894,398.20</u>	<u>4,082,960,835.53</u>

6 DEBT INVESTMENTS

Item	Closing balance	Opening balance
Principal	6,130,787,765.21	6,005,546,009.26
Interest receivable	<u>3,983,577.89</u>	<u>3,357,472.34</u>
Total	<u>6,134,771,343.10</u>	<u>6,008,903,481.60</u>
Less: ECL allowance – principal	2,368,004,290.13	2,176,001,905.89
ECL allowance – interest receivable	<u>177,981.55</u>	<u>166,742.78</u>
Net amount	<u>3,766,589,071.42</u>	<u>3,832,734,832.93</u>

7 LONG-TERM EQUITY INVESTMENTS

Item	Closing balance	Opening balance
Associates accounted for using the equity method directly invested by the Company	525,210,393.96	515,702,755.86
Associates measured at fair value invested by the consolidated structured entities	<u>337,832,924.00</u>	<u>387,404,424.00</u>
Total	<u>863,043,317.96</u>	<u>903,107,179.86</u>

8 SHORT-TERM BORROWINGS

(1) *The category of short-term borrowings*

Category	Closing balance	Opening balance
Borrowings from China Trust Protection Fund Co., Ltd.	<u>703,876,406.25</u>	<u>2,005,323,555.59</u>
Total	<u>703,876,406.25</u>	<u>2,005,323,555.59</u>

(2) The Group had no overdue and outstanding short-term borrowings at the end of the period.

9 PROVISIONS

Item	Closing balance	Opening balance	Reason
Litigation compensation	<u>114,430,547.95</u>	<u>–</u>	<u>Litigation</u>
Total	<u>114,430,547.95</u>	<u>–</u>	<u>–</u>

10 NET INTEREST INCOME

Item	Amount recognised in the current period	Amount recognised in the previous period
Interest income	75,332,384.05	37,600,576.38
Including: Cash and bank balances	1,133,179.92	539,462.29
Loans and advances to customers	54,083,013.34	24,941,127.76
Debt investments	9,975,832.03	1,582,794.52
Financial assets purchased under resale agreements	10,036,255.55	10,294,833.20
Others	104,103.21	242,358.61
Interest expenses	40,318,358.80	58,637,437.15
Including: short-term borrowings	28,181,802.74	53,163,944.45
Income attributable to third-party trust beneficiaries in consolidated structured entities	10,409,945.00	4,581,930.00
Others	<u>1,726,611.06</u>	<u>891,562.70</u>
Net interest income	<u>35,014,025.25</u>	<u>-21,036,860.77</u>

11 NET FEE AND COMMISSION INCOME

Item	Amount recognised in the current period	Amount recognised in the previous period
Fee and commission income	421,228,725.81	519,484,471.58
Including: Trustee's remuneration	394,913,011.84	519,484,471.58
Other	26,315,713.97	–
Fee and commission Expense	2,617,054.18	3,877,936.24
Including: Guarantee fee	2,321,342.43	3,852,017.90
Other	295,711.75	25,918.34
Net fee and commission income	<u>418,611,671.63</u>	<u>515,606,535.34</u>

12 INVESTMENT INCOME

Item	Amount recognised in the current period	Amount recognised in the previous period
Investment income from holding financial assets	124,422,359.00	38,808,160.98
Long-term equity investment income accounted for using equity method	10,152,591.24	191,254,365.92
Investment income from disposal of loans and other debt investments	-800,000.00	-2,144,683.55
Total	<u>133,774,950.24</u>	<u>227,917,843.35</u>

13 GAINS FROM CHANGES IN FAIR VALUE

Source of gains from changes in fair value	Amount recognised in the current period	Amount recognised in the previous period
Financial assets held for trading	212,071,055.06	15,964,013.71
Investment in associates	–	19,905,986.96
Total	<u>212,071,055.06</u>	<u>35,870,000.67</u>

14 TAX AND SURCHARGES

Item	Amount recognised in the current period	Amount recognised in the previous period
Stamp duty	1,756,918.86	2,416,449.28
Regional education surcharges	1,156,268.04	1,029,271.18
Property tax	961,634.38	962,421.73
City construction and maintenance tax	752,965.23	1,035,535.42
Education surcharges	501,976.81	690,356.95
Land use tax	61,459.28	61,459.28
Vessel and vehicle tax	1,890.00	3,690.00
Total	<u>5,193,112.60</u>	<u>6,199,183.84</u>

15 BUSINESS AND ADMINISTRATIVE EXPENSES

Item	Amount recognised in the current period	Amount recognised in the previous period
Employee benefits	93,045,145.13	93,458,857.26
Depreciation and amortisation	31,832,465.83	17,157,104.72
Network expenses	3,385,351.70	5,291,363.87
Promotional expenses	6,400,820.94	5,877,578.97
Lease charges	4,525,536.02	4,895,777.18
Legal and professional fees	4,512,787.36	6,671,734.44
Business hospitality expenses	2,566,688.00	1,864,885.85
Travel expenses	2,277,754.86	1,090,511.52
Office expenses	589,317.25	409,287.41
Others	14,834,965.02	10,956,531.82
Total	<u>163,970,832.11</u>	<u>147,673,633.04</u>

16 CREDIT IMPAIRMENT LOSSES

Item	Amount recognised in the current period	Amount recognised in the previous period
Allowance for loan losses	61,134,249.02	1,207,771,002.02
Impairment losses on debt investments	192,013,623.01	128,605,077.80
Loss on bad debts of accounts receivable	8,296,805.62	6,166,434.60
Loss on bad debts of other receivables	16,575,761.93	4,744,778.02
Total	<u>278,020,439.58</u>	<u>1,347,287,292.44</u>

17 NON-OPERATING EXPENSES

Item	Amount recognised in the current period	Amount recognised in the previous period	Amount included in non-recurring profit and loss for the period
Compensation cost	114,430,547.95	–	114,430,547.95
Losses on retirement of non-current assets	891,082.97	53,552.00	891,082.97
Penalty cost	400,000.00	350,000.00	400,000.00
Total	<u>115,721,630.92</u>	<u>403,552.00</u>	<u>115,721,630.92</u>

18 INCOME TAX EXPENSES

Item	Amount recognised in the current period	Amount recognised in the previous period
Income tax expense for the year	147,164,139.19	97,414,461.56
Deferred income tax expenses	-46,319,348.08	-319,007,837.31
Total	<u>100,844,791.11</u>	<u>-221,593,375.75</u>

19 BASIC EARNINGS PER SHARE

(i) *Basic earnings per share*

Item	Amount recognised in the current period	Amount recognised in the previous period
Net profit attributable to the owners of the parent company	175,077,175.55	-474,271,715.70
Weighted average number of ordinary shares in issue	4,658,850,000.00	4,658,850,000.00
Basic earnings per share	0.04	-0.10

(2) *Diluted earnings per share*

For the six months ended 30 June 2023, there were no potential diluted ordinary shares and therefore the diluted earnings per share were the same as the basic earnings per share.

20 DIVIDENDS

No dividends were paid, declared or proposed by the Company during the six months ended 30 June 2023 (six months ended 30 June 2022: Nil). The Directors of the Company have determined that no dividend will be paid in respect of the six months ended 30 June 2023.

21 EVENTS AFTER THE BALANCE SHEET DATE

As at the date of approval of the financial statements, the Group had no discloseable events after the balance sheet date.

12. AUDIT COMMITTEE

The Audit Committee has reviewed the accounting principles and conventions adopted by the Company with the management of the Company and the Company's external auditor. The Audit Committee has reviewed the interim results for the six months ended 30 June 2023.

13. THE INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2023 PUBLISHED ON THE HONG KONG STOCK EXCHANGE'S WEBSITE AND THE COMPANY'S WEBSITE

The interim results announcement for the six months ended 30 June 2023 is published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company's website (www.sitic.com.cn). The interim report for the six months ended 30 June 2023 which contains all information required by the Listing Rules will be distributed to shareholders of the Company and published on the Hong Kong Stock Exchange's website and the Company's website in due course.

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

Jinan, the People's Republic of China, 29 August 2023

As at the date of this announcement, the Board of Directors comprises Mr. Wan Zhong and Mr. Fang Hao as executive Directors; Mr. Wang Zengye, Mr. Zhao Zikun and Ms. Wang Bailing as non-executive Directors; Ms. Zhang Haiyan, Mr. Zheng Wei and Ms. Meng Rujing as independent non-executive Directors.