

**LUCION**

**山東省國際信託股份有限公司**

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

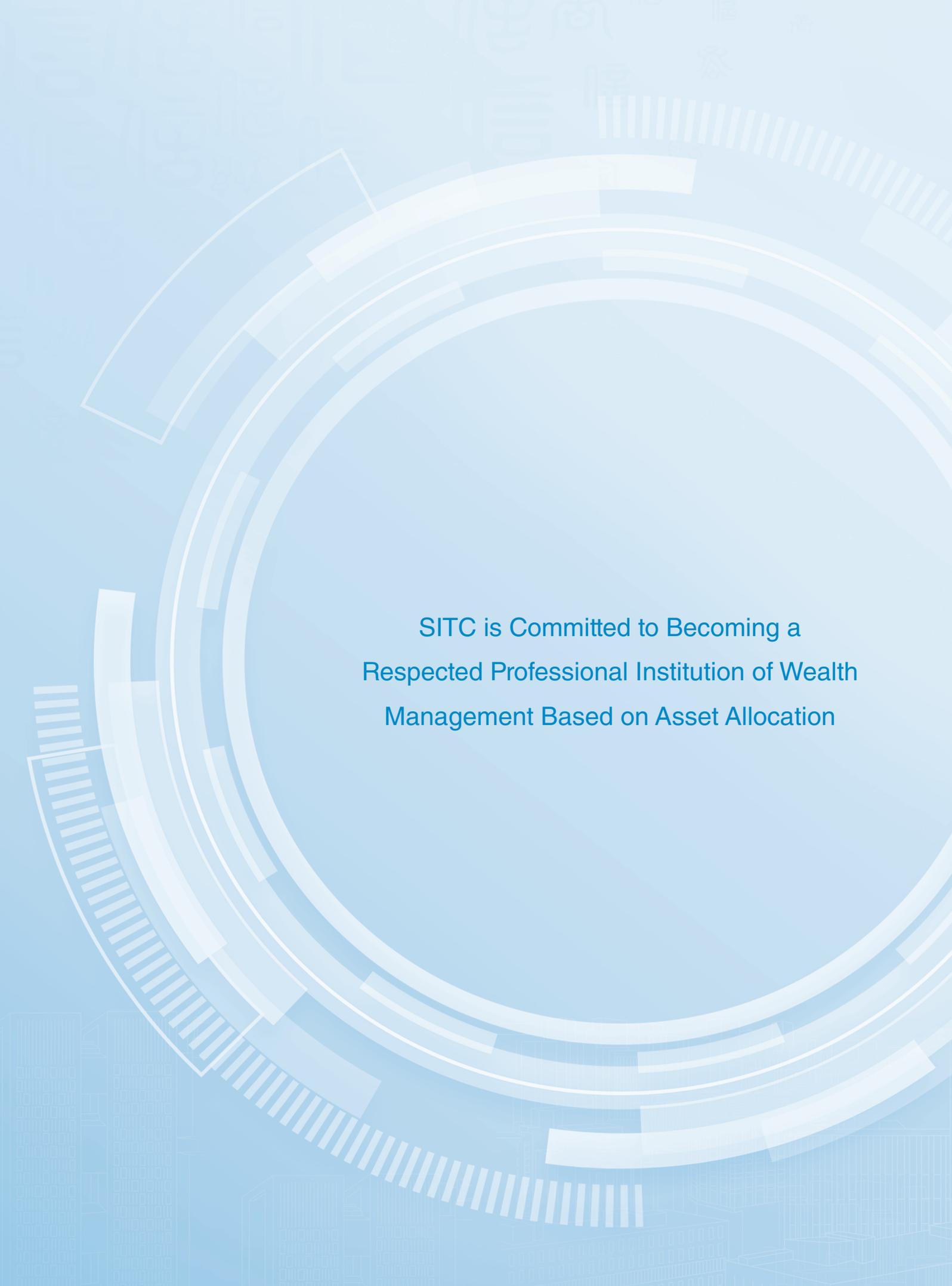
(A joint stock company incorporated in the People's Republic of China with limited liability)

Stock Code: 1697



**2023**

**ANNUAL REPORT**



SITC is Committed to Becoming a  
Respected Professional Institution of Wealth  
Management Based on Asset Allocation

# IMPORTANT NOTICE

The Board of Directors, the Board of Supervisors and the Directors, Supervisors and senior management of Shandong International Trust Co., Ltd., warrant the truthfulness, accuracy and completeness of the content in this annual report and that there are no false representations, misleading statements contained in or material omissions from this report, and severally and jointly assume legal responsibility.

Mr. Zheng Wei, Ms. Zhang Haiyan and Ms. Liu Wanwen, being the independent non-executive Directors of the Company, have no objection to the truthfulness, accuracy and completeness of the content in this annual report.

The 2023 annual report (2023 annual results announcement) of the Company was considered and approved by the 40th meeting of the third session of the Board of Directors held on 26 March 2024. 8 Directors were entitled to be present at the meeting and 8 Directors attended the meeting in person.

The 2023 financial report, which has been prepared by the Company according to CASBE, was audited by ShineWing Certified Public Accountants (Special General Partnership) in accordance with CASBE, and ShineWing Certified Public Accountants (Special General Partnership) has issued the standard audit report without qualified opinion.

Mr. Yue Zengguang, the legal representative of the Company, Mr. Wang Ping, the Chief Financial Officer who is in charge of the major financial matters, and Ms. Chen Qingqing, the person in charge of the finance department, warrant that the financial statements in this annual report are true, accurate and complete.

*The Board of Directors of*  
**Shandong International Trust Co., Ltd.**

26 March 2024

*This annual report may contain forward-looking statements relating to risks and future plans. These forward-looking statements are based on information presently available to the Company and from other sources which the Company considers to be reliable. The forward-looking statements relating to the future events or the financial, business or other performance of the Company in the future are subject to uncertainties which could cause the actual results to differ materially. Investors are advised not to place undue reliance on these forward-looking statements. Future plans involved in these forward-looking statements do not constitute any actual commitment made by the Company to investors. Investors are advised to be cautious of their investment risks. For details of the major risks faced and the respective measures taken by the Company, please see "Management Discussion and Analysis" – "Risk Management" in this annual report.*

*Where there is any inconsistency between the Chinese version and the English version of this annual report, the Chinese version shall prevail. In this annual report, unless otherwise specified, loss and income tax credit are indicated in "–".*

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# 1

## *About Us*

- 6** Chairperson's Statement
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# CHAIRPERSON'S STATEMENT

The year 2023 represented the first year of fully implementing the spirit of the 20th National Congress of the Communist Party of China, and also a year in which SITC has been under pressure and actively responding to complex situations and challenges. Under the correct guidance of the higher Party Committee and the regulatory authorities and the strong support of shareholders, customers and partners, SITC made concerted efforts to overcome difficulties, continued to make breakthroughs in business transformation, made progress in risk resolution, and united and forged the teams ahead, and delivered hard-earned results performance, creating a new pattern of working together and striving for development.

**In the pursuit of moving towards “excellence”, we adhered to the leadership of Party building and strove to improve the level of governance.** We thoroughly studied and implemented the spirit of the Central Financial Work Conference, unswervingly followed the path of financial development with Chinese characteristics, revised the Articles of Association pragmatically, and further strengthened the leadership of the Party in improving corporate governance. We also carried out in-depth thematic education, formulated a list of eight measures for the integration of party building and businesses, and continuously consolidated the grassroots party building. By strengthening strategic guidance and centring around the guidance of the “new three categories” of trusts, we timely adjusted the Company’s “14th Five-Year Plan” and built a high-quality business system. We focused on improving the performance of duties of each entity, further rationalized the major business decision-making mechanism, optimized the structure of the Board of Directors and the establishment of its special committees, strengthened the daily and regular supervision of the Board of Supervisors, insisted on practising the philosophy of ESG development, and further demonstrated the governance efficiency.

**In the pursuit of making “new” breakthroughs, we focused on returning to the origin and made breakthroughs in business transformation.** In line with the guidelines of “new three categories”, we insisted on “strengthening the layout” in the area of standard products, and continued to expand sales channels. The scale of fixed income and service business maintained growth momentum, and the Taishanbao Collective Fund Investment Operation Trust Plan was again recognized by the authoritative awards of standard products in the trust industry. The family trust business continued to maintain its leading position in the industry, and implemented the industry’s first foreign grantor trust + listed company stock family trust. The product innovation achievements were fruitful. We continued to step up the exploration and practice in the area of prepaid consumption, and explored deeply into the application scenarios through the “An Xin Fu” series of service trusts to help improve the business environment. We focused on building a new system of wealth management capabilities, and increased independent marketing efforts. The number of customers, issuance size and management accounts reached new highs. The wealth management model based on “customer accounts” was gradually formed, and the asset allocation capability was further improved.

**In the pursuit of deeply engaging in “practice”, we actively fulfilled our social responsibilities to serve the people a better life.** Adhering to the original mission of “gathering capital to develop Shandong”, we focused on strengthening regional financial support, and guided social funds to invest in local real enterprises, infrastructure construction and other important areas to serve major national strategies of the Yellow River Basin and major projects for the new and old momentum conversion in Shandong Province. Adhering to the principle of “Finance for the People”, we established 20 new charitable trusts throughout the year, and the number and scale of establishment both hit new record highs, injecting financial vitality into public welfare and charity. We strengthened our efforts in green finance and assisted in the construction of green, low-carbon and high-quality development pilot areas. During the year, the green trust business increased by RMB1,217 million, and the “Carbon Neutrality-Carbon Asset Investment” collective trust was awarded as one of the 2022 Top Ten Outstanding Financial Innovation Products in Shandong Province.



**Yue Zengguang**  
*Chairperson*

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# CHAIRPERSON'S STATEMENT

**In the pursuit of making efforts to “stabilize”, we improved internal management and firmly guarded the bottom line of risks.** We carried out the “Year of Management Improvement” activities, focused on corporate governance, system construction, personnel management and other contents, identified shortcomings and solved problems, and promoted the solution of prominent problems and weakness areas that limit development. We closely strengthened the risk prevention and control network, strictly implemented concentration control, established an independent investigation mechanism for major businesses, strengthened the allocation of professional resources for risk disposal, and deeply rooted the comprehensive risk management culture in the hearts of the people. RPA digital employees were officially on board, and the business operations realized automatic processing by robots, which greatly improved the efficiency of operation and reporting. Accordingly, the role of technology empowerment continued to be demonstrated. We cultivated the compliance awareness of all employees, continued to improve the construction of the compliance and internal control system, strengthened the whole chain of talent “selection, cultivation, management and deployment”, implemented the “Guo Xin Lan” talent training program, and strove to build a high-quality financial talent team.

Looking back on 2023, we have been riding the wind and waves with perseverance. Looking ahead to 2024, we will strive to be the fight against all competitors and be the first. The year 2024 marks the 75th anniversary of the founding of the People's Republic of China and is a critical year for the implementation of the 14th Five-Year Plan. Facing these new challenges, SITC will unswervingly implement the spirit of the 20th National Congress of the Communist Party of China, the Central Financial Work Conference and the new philosophy of high-quality development of the trust industry, adhere to the fundamental positioning of the trustee, adhere to the decision-making of transformation and development, work hard internally and improve management, focus on the “new three categories” to explore its own resources and talents, pursue the “five core elements” pragmatically, always remember the original mission of “gathering capital to develop Shandong”, focus on building a regional trust company of “stability and health” and “specialization and refinement”, and strive to create a new chapter of high-quality development of SITC.

Shandong International Trust Co., Ltd.  
Chairperson



# GENERAL MANAGER'S STATEMENT

The year 2023 was a critical year for the implementation of the "14th Five-Year Plan", and also the year in which the reform of the classification of the trust business was officially implemented. Facing the complex and ever-changing macro situation and the increasing pressure of economic downturn, SITC adhered to the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, followed the regulatory guidance under the correct leadership of the Party Committee and the Board of Directors of the Company, adhered to the general tone of seeking progress while maintaining stability, insisted on transformation and innovation, and strove to prevent and resolve risks. The scale of trust assets remained stable; the business structure continued to be optimized; the brand image was significantly improved, and the foundation for high-quality development was further strengthened.

As at the end of the Reporting Period, the Company had consolidated total assets of RMB14,169 million, consolidated total liabilities of RMB3,080 million and consolidated owners' equity of RMB11,089 million. During the year, the Company achieved a total consolidated profit before tax of RMB290 million, a net profit attributable to shareholders of the Company of RMB159 million, a trust scale under trusteeship (including insurance trust scale) of RMB201,421 million, and a trustee's remuneration income of RMB771 million for the year.

Maintaining stability in the midst of turbulence, it is necessary for us to be robust and solid. We insisted on solving the problems of transformation and development with in-depth reform. Since 2021, we have been focusing on the three transformation directions of capital market, wealth management and family trust, continuously adjusting and optimizing the business structure. The reform began to achieve initial results. As of the end of the Reporting Period, the size of standard trust products reached RMB74,349 million, and the profit contribution increased significantly. The establishment of fixed income, hybrid and equity product lines was completed. In 2023, it was awarded the "Golden Bull Award", an authoritative award in the trust industry for the second consecutive year. In 2023, the size of self-issued trust plans amounted to RMB29,367 million, representing a year-on-year increase of 3.59%, of which the cumulative size of standard product issuance amounted to RMB13,893 million. We continued to promote the transformation to wealth management based on "customer accounts", and established 41 wealth management service trusts. The existing size of family trust was RMB38,849 million, representing a year-on-year increase of 47%, ranking among the top in the industry. We actively deployed family service trusts, explored inclusive paths for wealth inheritance, and innovatively established the first family trust of "FGT + Listed Company Stock" in the industry. The insurance trust business continued to expand. We promoted the application and popularization of charitable trusts to help rural revitalization and co-prosperity. In 2023, the cumulative amount of funds delivered by charitable trusts was RMB136 million, representing a year-on-year increase of 56.38%, with nearly 7,000 direct beneficiaries. We once again won the "Shandong Charity Award", the highest award in the area of charity in Shandong Province.



**Fang Hao**  
*General Manager*

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# GENERAL MANAGER'S STATEMENT

In 2023, we overcame difficulties and demonstrated new achievements in serving the economy and society. We continued to increase regional financial supply, and the size of existing trust business invested in Shandong Province amounted to nearly RMB70.0 billion at the end of the year. We actively implemented the strategic layout of "carbon peaking and carbon neutrality" and assisted in the construction of a green, low-carbon and high-quality development pilot zone in Shandong Province. At the end of the year, the existing size of green trust assets was RMB2,830 million. As the first green certified CCER carbon asset income rights green trust in China, the "Carbon Neutrality – Carbon Asset Investment" collective trust was awarded as one of the top ten outstanding financial innovation products in Shandong Province, making active contributions to social governance. We innovatively launched the "An Xin Fu" prepaid fund service trust, providing a "good trust" for the government to solve social governance problems.

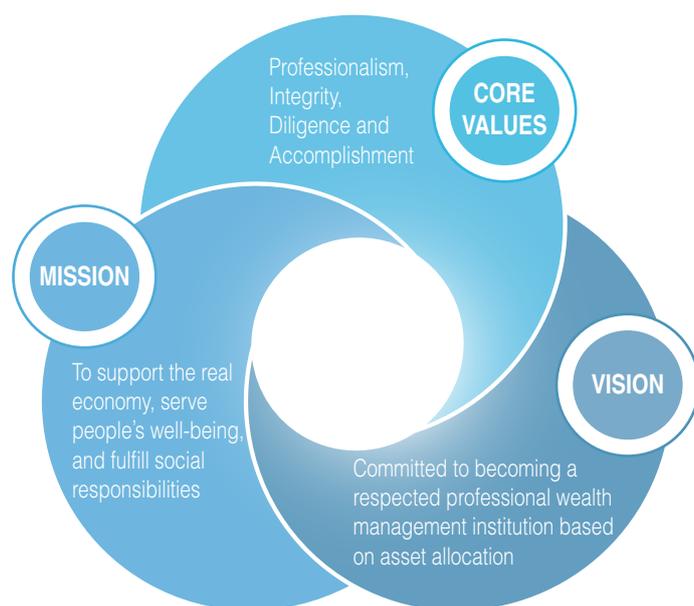
Riding the wind and breaking the waves, it is now the time to set sail. In the critical period of reform and risk resolution, transformation and development of the trust industry, we are like sailing against the current. If we do not advance, we will retreat. In 2024, we will rely on the strong leadership of the Company's Party Committee and Board of Directors, closely follow regulatory guidance, strive to prevent and resolve risks, unswervingly promote transformation and innovation, give full play to the trust functions and institutional advantages, and build a sustainable business system. We will adhere to building the brand image with high-quality financial services, uphold higher standards and stricter requirements, comprehensively enhance core competitiveness, consolidate the ballast stone for the Company's stable and long-term development, and activate new momentum for transformation and development.

Shandong International Trust Co., Ltd.  
General Manager

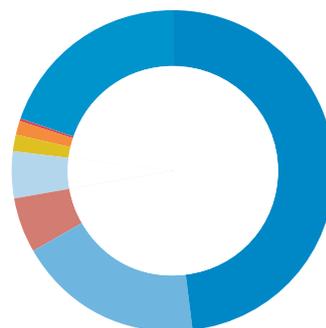


# BASIC CORPORATE INFORMATION

## CORPORATE CULTURE

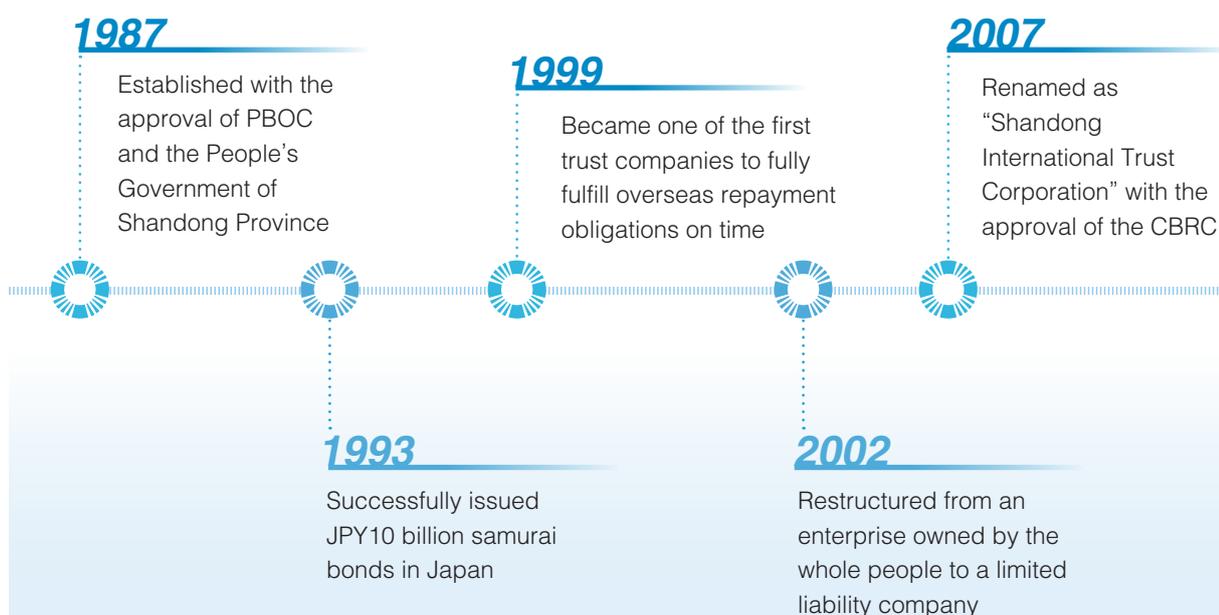


## SHAREHOLDING STRUCTURE



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

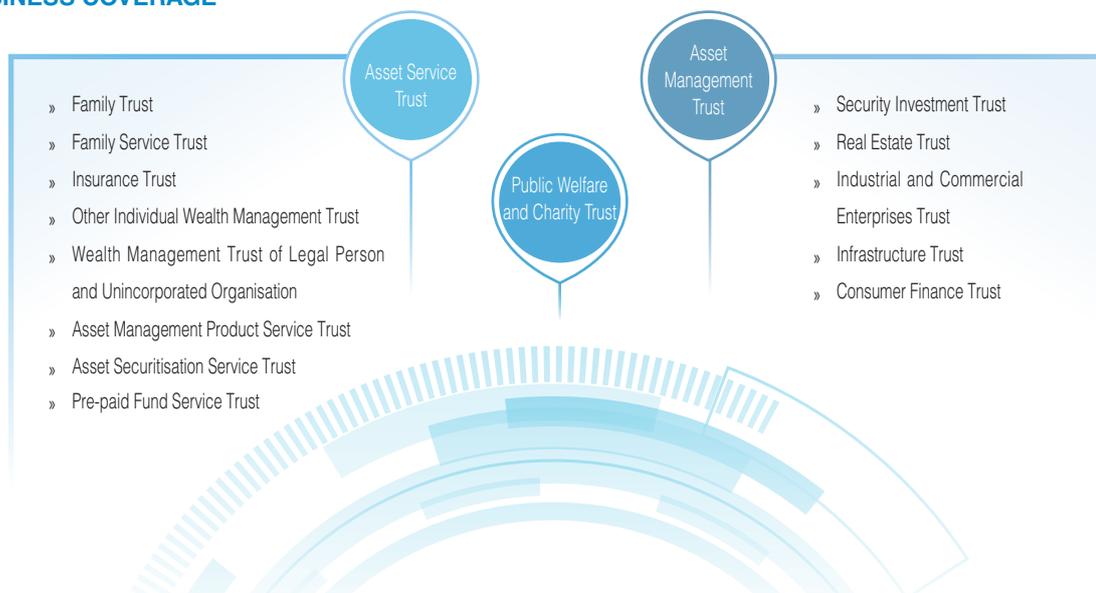
## DEVELOPMENT HISTORY



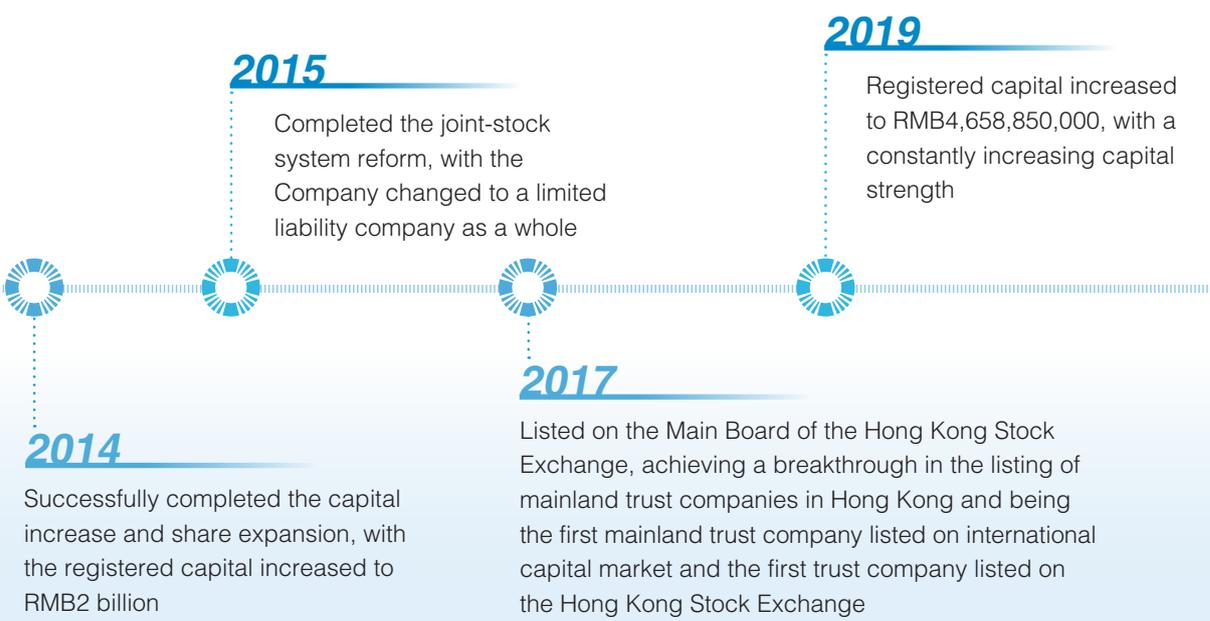
# BASIC CORPORATE INFORMATION

## BUSINESS LINES AND NETWORK LAYOUT

### BUSINESS COVERAGE



### WEALTH NETWORK LAYOUT



# BASIC CORPORATE INFORMATION

## COMPANY PROFILE

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

Since its establishment, SITC has always stood by our role as a trustee, adhered to the development strategy of integration and coordination of its trust business and proprietary business, gave full play to the advantages of the main business of trust, and promoted effective interconnection between the monetary market, capital market and the real economy. Focusing on the reform direction of the “new three categories”, the Company has set up three business divisions, namely capital market, wealth management and family trust, and developed asset service trusts, asset management trusts and public welfare charitable trusts based on its endowment and characteristics, thus creating a “stability and health” and “specialization and refinement” business system. SITC establishes business and wealth teams in central cities across the country, and constructs the development pattern of “taking root in Shandong, spreading to the whole country and establishing international presence”. SITC adheres to the principle of “customer-centeredness”, actively implements the mission of state-owned enterprises, resolutely shoulders social responsibility, firmly returns to the origin of trust, continuously improves the level of financial technology, and takes the initiative to serve green development, rural revitalization and support public welfare charities. SITC contributes to supporting the high-quality development of the economy and serving the people’s better life.

The growth of the Company has been recognised and praised by different sectors in the society, and evidenced by numerous awards, such as “Financial Innovation Award of Shandong Province”, “Best Innovative Trust Company”, “Integrity Trust-Innovation Leading Award”, “Most Valuable Financial Stock Company”, “Best Corporate Governance Award”, “Best Information Disclosure Award”, “Shandong Social Responsibility Enterprise”, “3 • 15 Integrity Financial Brand” and “Shandong Charitable Award • the Most Influential Charity”. The Company was awarded with the honorary title of “Advanced Company Contributing to Financial Development of Shandong Province” by the government of Shandong Province. Also, the Company has been rated “AAA” in the performance evaluation of financial enterprises in Shandong Province for consecutive years, and has won the “Class A” (the highest rating attainable) in the national industry wide rating for many times.

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

# BASIC CORPORATE INFORMATION

## HONOURS AND AWARDS



Shenzhen Stock Exchange

Excellent Bond  
Investment Trading  
Institution  
(Trust Company)



Dazhong Daily

3-15 Integrity Financial Brand



2023 Asset Management and Wealth  
Management Industry Development Forum

The 3rd “Gold Honour Award” – Outstanding  
Trust Company in Wealth Management,  
Outstanding Family Office and Excellent  
Securities Investment Trust Product



Securities Times

2023 Regional Influential  
Trust Company



The Department of Civil Affairs of  
Shandong Province

The 8th “Shandong Charitable Award”



China Securities Journal

The 2nd “Golden Bull Award of the  
Trust Industry in China”



China Business Journal

2023 Regional Outstanding and Influential Trust  
Company, 2023 Outstanding Family Trust Brand



GuruClub

The 8th “Golden Ge Award” – Annual  
ESG Pioneer Award



Shanghai Securities News

Wealth Management Brand Award, Best  
Public Welfare Charitable Trust Product Award



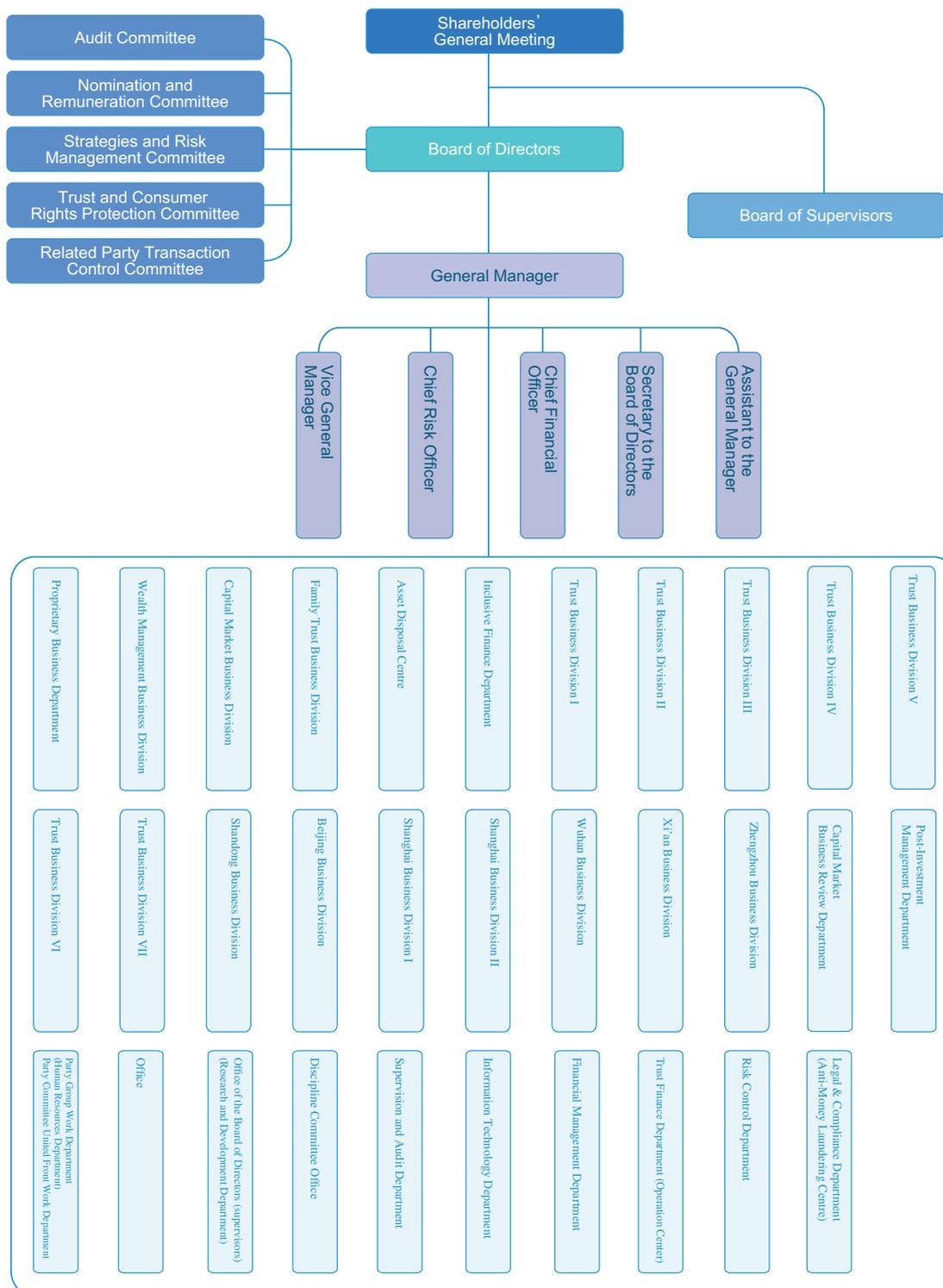
Shandong Monetary Society

Advanced Collective of Shandong  
Money Society



# BASIC CORPORATE INFORMATION

## ORGANISATIONAL STRUCTURE



# BASIC CORPORATE INFORMATION

## CORPORATE INFORMATION

### Legal name in Chinese

山東省國際信託股份有限公司

### Abbreviation

山東國信

### Legal name in English

Shandong International Trust Co., Ltd.

### Abbreviation

SITC

### Legal representative

Yue Zengguang (岳增光)

### Authorised representatives

Yue Zengguang (岳增光)

He Chuangye (賀創業)

### Secretary to the Board of Directors, company secretary

He Chuangye (賀創業)

### Registered office, head office in the PRC

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

### 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  
PRC

# BASIC CORPORATE INFORMATION

## BRIEF DESCRIPTION OF THE COMPANY'S SHARES

Place of listing of H Shares	The Stock Exchange of Hong Kong Limited
Stock name	SDITC
Stock code	1697

## CONTACT PERSON, CONTACT INFORMATION AND CONTACT ADDRESS

Senior management responsible for information disclosure	He Chuangye (賀創業)
Contact person for information disclosure matter	Yuan Fang (袁方)
Telephone number	(0531) 51757480
Facsimile number	(0531) 51757480
E-mail address	ir1697@luxin.cn
Media for information disclosure	Shanghai Securities News
Website of Hong Kong Stock Exchange for publishing the annual report for H Shares	<a href="http://www.hkexnews.hk">www.hkexnews.hk</a>
Place for maintaining annual report	35/F, Tower A No. 2788 Aoti West Road, Lixia District Jinan, Shandong Province PRC

# BASIC CORPORATE INFORMATION

## SPECIAL COMMITTEES OF THE BOARD OF DIRECTORS OF THE COMPANY

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### SPECIAL COMMITTEES

### COMPOSITION

Audit Committee

Zheng Wei (鄭偉) (*Chairperson*)  
Zhao Zikun (趙子坤)  
Zhang Haiyan (張海燕)

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Nomination and Remuneration Committee

Liu Wanwen (劉皖文) (*Chairperson*)  
Zhang Haiyan (張海燕)  
Yue Zengguang (岳增光)

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Strategies and Risk Management Committee

Yue Zengguang (岳增光) (*Chairperson*)  
Wang Zengye (王增業)  
Liu Wanwen (劉皖文)

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Trust and Consumer Rights Protection Committee

Zhang Haiyan (張海燕) (*Chairperson*)  
Fang Hao (方灝)  
Wang Bailing (王百靈)

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Related Party Transaction Control Committee

Zheng Wei (鄭偉) (*Chairperson*)  
Fang Hao (方灝)  
Wang Bailing (王百靈)

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# BASIC CORPORATE INFORMATION

## SERVICE ORGANISATIONS

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H Share Registrar  
Computershare Hong Kong Investor Services Limited  
Shops 1712-1716, 17th Floor, Hopewell Centre  
183 Queen's Road East, Wanchai  
Hong Kong, PRC

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Legal advisor (as to PRC laws)  
Place of business  
Fangda Partners  
24/F, HKRI Centre Two, HKRI Taikoo Hui  
288 Shi Men Yi Road  
Shanghai, PRC

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Legal advisor (as to Hong Kong laws)  
Place of business  
Fangda Partners  
26/F, One Exchange Square  
8 Connaught Place, Central  
Hong Kong, PRC

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International and PRC auditor  
Place of business  
ShineWing Certified Public Accountants (Special General Partnership)  
(Public Interest Entity Auditor recognised in accordance with the Accounting  
and Financial Reporting Council Ordinance)  
9/F, Block A  
Fu Hua Mansion  
8 Chaoyangmen Beidajie, Dongcheng District  
Beijing, PRC

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Name of the undersigned accountant  
Wang Gongyong (王貢勇); Guo Lechao (郭樂超)

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Principal bank  
Citic Bank Jinan Huayuan Road Sub-branch  
Building 9, Ligao International  
No. 1222 Aoti West Road, Lixia District  
Jinan, Shandong Province  
PRC

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# MAJOR FINANCIAL INDICATORS

## FINANCIAL DATA

	As at and for the year ended 31 December				
	2023	2022	2021	2020	2019
Data at the end of the Reporting Period (RMB in millions)					
Total assets	14,169	14,458	19,063	20,684	14,572
Fee and commission income	771	990	830	1,152	1,038
Interest income	192	63	541	717	530
Total operating income	1,190	1,509	1,585	1,931	1,859
Gains from changes in net assets attributable to third-party investors in consolidated structured entities	26	35	-151	-17	-0.5
Total operating costs	781	916	1,082	1,303	981
Total profit	290	591	503	678	878
Segment assets					
Proprietary business	13,350	13,505	17,800	19,358	13,241
Trust business	789	821	1,123	1,147	997
Unallocated assets <sup>(1)</sup>	30	132	140	179	334
Segment liabilities					
Proprietary business	2,718	3,207	8,186	10,320	4,678
Trust business	334	278	206	183	71
Unallocated liabilities <sup>(1)</sup>	28	39	15	6	13

Note:

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



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# 2

## *Operating Analysis*

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- 74** Significant Events

# MANAGEMENT DISCUSSION AND ANALYSIS

## ENVIRONMENT REVIEW

Since the beginning of 2023, the global economy has shown a recovery trend, but the growth prospects have diverged, and the global economy has generally faced challenges such as “high inflation, high interest rates and high debts”. The inflation pressure of major developed economies has generally eased but remained sticky; policy interest rates have remained high for a long time, geopolitical conflicts have intensified, and the spillover risk has brought significant challenges to the global economic growth. In the face of the complex and severe international environment and the arduous and onerous tasks of domestic reform, development and stability, China has comprehensively deepened reform and opening up, strengthened macro-control, focused on expanding domestic demand, optimising structure, boosting confidence, and preventing and resolving risks. Thanks to an economic pickup, China has come a long way in the work on a modern industrial system. Furthermore, China has achieved new breakthroughs in scientific and technological innovation, consolidated the foundation of safe development, effectively guaranteed people’s livelihood, and solidly promoted high-quality development, taking solid steps to build a modern socialist country in an all-round way.

China’s financial industry fully implemented the guiding principles of the 20th CPC National Congress, deeply grasped the political and people-oriented nature of financial work, took deepening the financial supply-side structural reform as the main line, strengthened high-quality financial services, better supported the expansion of domestic demand, promoted stable foreign investment and stable foreign trade, strengthened precise support for key areas such as scientific and technological innovation, advanced manufacturing and green development, guided more funds to private small and micro enterprises, rural revitalisation and other weaker segments, worked to support the stable and sound development of the real estate market, and provided high-quality services for economic and social development.

China’s trust industry is ushering in a transformation never seen before. The implementation of the new regulations on three categories of trust business comprehensively guided trust companies to reshape their business models. The supervisory department was established by the asset management institutions to gradually tighten the regulatory standards and create a fairer room for development. Trust companies continued to promote the optimisation of business structure, took multiple measures to resolve risks, continuously consolidated capital strength, and further improved the ability to serve high-quality economic development and people a better life. As at the end of the third quarter of 2023, the balance of trust assets managed by China’s trust industry was RMB22.64 trillion. The size of assets under management has steadily rebounded. The asset structure and capital investment direction and application methods have been continuously optimised. The size of the standard product business has grown rapidly. The entrusted service capacity has been continuously enhanced. The ability to serve the real economy and society and people’s livelihood has been continuously strengthened. The direction of transformation has become clearer.

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS OVERVIEW

In 2023, in the face of the complex and severe domestic and international environment, SITC forged ahead under pressure and kept marching forward. Guided by regulatory guidelines and based on strategic transformation, the Group actively responded to the impact of factors beyond expectations, efficiently coordinated business development and risk resolution, generally maintained a good trend of steady improvement and quality improvement, and made new achievements in various tasks.

Firstly, the Company concentrated on returning to its origin and presented a new situation in business transformation. In line with the regulatory guidance, the Company steadily promoted the original business adhering to the positioning of trustee as a key business for strategic transformation. The Company accelerated the development of the capital market business, achieved promising results in channel expansion, deepened cooperation with a number of wealth management subsidiaries of banks and securities companies, and built an all-round interbank cooperation system. The Company continued to strengthen its active management capability. The performance of fixed income products continued to outperform its market peers. The annualised rate of return of the Taishanbao project was approximately 3.25%, surpassing the CSI Monetary Fund Index by 137 bps. The annualised growth rate of the net asset value of Shandong Construction and Development Fund was approximately 5.04%, surpassing the medium and long-term pure debt fund index by 182 bps. Taishanbao project was once again awarded the “Golden Bull Award of the Trust Industry for One-year Fixed Income Products”, an authoritative award for standard products in the trust industry. Its management capability was recognized by the industry. The family trust business further consolidated its dominant position in the industry. As at the end of 2023, the size of trust assets under management increased by 47% year-on-year. While deepening channel cooperation, the Company actively developed independent innovation business, established the first family service trust in the industry after the promulgation of the new regulations on three categories of trusts, and pioneered the family trusts of “Canada Tax Residents Family Trust with Income Principal Model” and “Foreign Grantor Trust + Listed Company Stocks” in the industry, continuously making new breakthroughs in business innovation. Charitable trusts expanded in an orderly manner. During the year, the Company established 20 new charitable trusts, and as at the end of the year, the cumulative amount of funds delivered was RMB136 million. The Company actively gave full play to the advantages of trusts to help rural revitalisation, and the “Guozi Huinong Charitable Trust” won the “Shandong Charitable Award”, which was positively recognised by the civil affairs department.

Secondly, the Company focused on business innovation and cultivated new advantages of differentiated competition. The Company has formulated plans to vigorously promote the transformation of traditional businesses and the development of innovative businesses, and to deeply explore new business growth points. The transformation of wealth management was solidly promoted. The Company accelerated the transformation from the sales of traditional non-standard products to that of standard products, and the size of annual sales of standard products accounted for 47.13% of the total size of independent issuance, providing a good guarantee for business development from the capital side. Focusing on the improvement in asset allocation capabilities, the Company promoted the transformation to wealth management services based on “customer accounts”. As at the end of 2023, 41 special wealth management accounts were set up to accumulate core customers and expand long-term profit growth points. The Company explored and promoted the pre-paid fund service trusts, launched the “Shandong An Xin Fu” system, and secured a number of merchants. The project on the “Research on the Use of Trust Tools to Participate in Prepayment Social Fund Management” was awarded the “First Prize of Key Projects of Banking Financial Institutions in Shandong Province in 2022”. The Company implemented two risk disposal service trusts, based on internal collaborative resources, to provide solutions for enterprise asset risk isolation and efficient risk disposal.

# MANAGEMENT DISCUSSION AND ANALYSIS

Thirdly, the Company focused on green synergy and served the real economy to show a new style. The green trust achieved fruitful results. In 2023, the new green trust business was RMB1.217 billion. As at the end of 2023, the existing size of green trust assets was RMB2.83 billion, of which the size of the green trust business was RMB1.559 billion and the size of green bond investment was RMB1.271 billion. A cross-departmental green trust research team has been established to gather and strengthen research collaboration, achievement sharing and project implementation. As the first green certified CCER carbon asset income rights green trust in China, “Carbon Neutrality-Carbon Asset Investment” was awarded as one of the top ten outstanding financial innovation products in Shandong Province. The Company strengthened regional financial support, and provided high-quality financial supply for local infrastructure construction and the development of industrial and commercial enterprises with the purpose of “gathering capital to develop Shandong” and “attracting capital to invest in Shandong”.

Fourthly, the Company focused on risk prevention and control, and firmly guarded the bottom line of risk compliance. The Company intensified efforts to improve the integrity and effectiveness of risk management and control, address both symptoms and root causes, control increment, suppress inventory, and prevent variables. The Company strictly controlled the access of projects, improved the ability to prevent risks in advance, strengthened the control of major events in advance, lifted the approval level of major business decisions, and strengthened its efforts in the management and control of concentration risks of industries and counterparties. The Company optimised the internal control mechanism and process, strengthened and refined the whole-process risk management requirements, built a centralised on-site management monitoring system, realised the whole-process monitoring and analysis of underlying projects, and strictly prevented new risks. The Company cultivated a compliance culture, carried out regular compliance learning and training, actively carried out anti-money laundering and anti-terrorist financing work, and continued to strengthen the construction of anti-money laundering rules and systems.

Fifthly, the Company focused on management improvement and promoted the construction of a new pattern of high-quality development. The Company adhered to the new development philosophy with the thinking of “deepening reform and management innovation”, focused on key points, highlighted difficulties, and stressed promoting business reform and reform of systems and mechanisms. The Company has carried out management improvement activities for two consecutive years where the Company adhered to the problem-oriented approach, conducted in-depth investigation of shortcomings, and normalised rectification of new and old deficiencies to comprehensively improve the quality and efficiency of operations. The Company strengthened the construction of financial technology capabilities, explored deeply into the business demand scenarios, and built a new generation of family trust, prepaid card service trust and other business systems to continuously empower business development. The Company strengthened research and development of intellectual support, continuously improved the transformation efficiency of research achievements through the investment and research integration, and assisted in the construction of a business structure that meets the reform requirements of the new three categories and the actual situation of the Company. The Company has been awarded the “Advanced Collective of Shandong Monetary Society” for three consecutive years.

In 2023, the Group achieved total operating income with an amount of RMB1,190.5 million, representing a year-on-year decrease of 21.1%; total profit with an amount of RMB290.2 million; and net profit with an amount of RMB158.6 million, representing a year-on-year decrease of 43.4%, mainly due to (i) a year-on-year decrease in net fee and commission income; (ii) a year-on-year increase in net interest income; (iii) a year-on-year decrease in investment income; and (iv) a year-on-year increase in gains from changes in fair value during the Reporting Period.

# MANAGEMENT DISCUSSION AND ANALYSIS

The Group's business segments can be divided into (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 year ended 31 December			
	2023		2022	
	Amount	%	Amount	%
	(RMB in thousands, except for %)			
<b>Trust business</b>				
Operating income	766,750	64.2%	983,142	65.1%
Segment income	766,750	64.2%	983,142	65.1%
<b>Proprietary business</b>				
Operating income	423,707	35.5%	525,564	34.8%
Non-operating income	2,935	0.3%	621	0.1%
Segment income	426,642	35.8%	526,185	34.9%
<b>Total</b>	<b>1,193,392</b>	<b>100.0%</b>	<b>1,509,327</b>	<b>100.0%</b>

In 2023, the income from the trust business and proprietary business of the Company accounted for 64.2% and 35.8% of the total revenue of the Company, respectively.

## Trust Business

### Classification of Trusts

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

# MANAGEMENT DISCUSSION AND ANALYSIS

The Company's right to manage and use trust assets comes 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 HNWI to satisfy their investment needs. The rapid accumulation of wealth in the PRC has resulted in diversified demands for various forms of investment. As the traditional asset management industry in the PRC is dominated by securities investment fund companies and securities firms, which mainly invest in standardised financial products in capital markets, such as the money market, publicly traded stocks and bonds, the Company believes the flexibility of trusts and the business scope of the trust license enables the Company to offer financial products with unique value to institutional investors and HNWI.
- (3) **Administrative management trusts:** Through the administrative management trusts, the Company provides administrative services to the trustors, whilst 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.

# MANAGEMENT DISCUSSION AND ANALYSIS

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:

	31 December			
	2023		2022	
	Number	AUM (AUM: RMB in millions)	Number	AUM
Financing trusts	238	43,845	187	47,214
Investment trusts	1,652	84,725	1,274	63,471
Administrative management trusts	351	56,982	175	98,792
<b>Total</b>	<b>2,241</b>	<b>185,552</b>	<b>1,636</b>	<b>209,477</b>

Note:

The "assets under management" as disclosed in the above table do not include the size of the insurance trusts (in terms of basic insurance amount) managed by the Company as at the corresponding dates, being RMB15,869 million (31 December 2023) and RMB5,923 million (31 December 2022). As at 31 December 2023 and 31 December 2022, the assets under management of the Company (including insurance trusts) amounted to RMB201,421 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 year ended 31 December			
	2023		2022	
	Revenue	%	Revenue	%
	(Revenue: RMB in millions)			
Financing trusts	485	62.9	565	57.0
Investment trusts	168	21.8	128	13.0
Administrative management trusts	118	15.3	297	30.0
<b>Total</b>	<b>771</b>	<b>100.0</b>	<b>990</b>	<b>100.0</b>

# MANAGEMENT DISCUSSION AND ANALYSIS

## 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:

### *Asset Service Trusts*

Service trust refers to the professional trust services such as wealth planning, intergenerational inheritance, 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.

### *Family Trusts, Family Service Trusts, and Premium Trusts*

Family trust refers to the trust business in which the trust company accepts the entrustment of a single natural person or a single natural person and his 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 initial establishment of a family trust shall have a paid-in trust of not less than RMB10 million, and the trustor shall not be the sole beneficiary. A trust business with the main purpose of pursuing the preservation and appreciation of the value of the trust property and the nature of special-purpose account management shall not be considered as a family trust. Family service trust refers to the trust business in which a trust company meeting the relevant conditions accepts the entrustment of a single natural person, or accepts the joint entrustment of a single natural person and his family, to provide services such as risk isolation, wealth protection and distribution. The initial establishment of a family service trust shall have a paid-in trust of not less than RMB1 million, a term of not less than 5 years, and the scope of investment is limited to trust plans, bank wealth management products, and other public asset management products with interbank deposits, standardised creditor's rights assets, and listed and traded stocks as the ultimate investment targets. A premium fund trust is established by a trust company on behalf of a single natural person, or on behalf of a single natural person and his family, with the rights and benefits associated with a life insurance contract as well as the funds required for the subsequent payment of premiums as trust property. When the benefit conditions stipulated in the insurance contract are met, the insurance company shall transfer the corresponding funds to the corresponding trust account under the insurance contract, which shall be managed by the trust company pursuant to the trust documents.

In 2023, 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 the 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 mature business models for innovative services such as family service trust, premium trust, equity family trust, family charity trust and foreign beneficiary trust, and continuously met the personalised, diversified and customised service needs of customers. The Company works to expand financial industry cooperation, internal and external linkage, improve customer service ability, and construct a service ecosystem. At present, the Company has established strategic cooperation with large state-owned commercial banks and national joint-stock commercial banks, and worked to grow cooperation with leading securities companies and insurance companies. At the same time, the Company attaches great importance to the application of financial technology in the field of family trust business. The Company developed, launched and keeps updating the new family trust comprehensive management platform system and client end, 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 and asset search.

# MANAGEMENT DISCUSSION AND ANALYSIS

As at 31 December 2023, the Company had established over 3,100 family trusts, family service trusts and premium trusts, with an existing scale of nearly RMB40 billion, which has always been in the forefront of the industry in recent years. In 2023, the Company's family trust was conferred the "Outstanding Family Office" at the development summit of asset management and wealth management industry, rated as the "Family Trust Brand" at the outstanding competitiveness financial summit. 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.

## *Other Individual Wealth Management Trusts, Legal Entities and Unincorporated Organisations Wealth Management Trusts*

Other individual wealth management trusts cover the trust business in which the trust company accepts the trust of a single natural person to provide property protection and management services. The trust beneficiary rights of other individual wealth management trusts shall not be split and transferred, and the initial paid-in trust shall not be less than RMB6.0 million. As at 31 December 2023, the number of other existing personal wealth management trusts managed by the Company was 39, amounting to approximately RMB790 million. The trust contracts generally provide the general investment scope as required by the principals, and the Company has been entrusted with the allocation of trust assets on a discretionary basis.

Wealth management trusts for legal persons and unincorporated organisations cover the type of business in which a trust company is entrusted by a single legal person or unincorporated organization to provide trust services such as comprehensive financial planning, specific asset management and remuneration and benefit management. As at 31 December 2023, the number of wealth management trusts for legal persons and unincorporated organisations managed by the Company was 105, amounting to approximately RMB25.686 billion.

## *Asset Product Service Trusts*

Entrusted by the asset management product managers, trust companies provide administrative services such as operation custody, account management, transaction execution, share registration, accounting and valuation, fund clearing, risk management, execution supervision and information disclosure, etc. for individual asset management products, and is not involved in asset management activities such as fund-raising for asset management products, investment advice, investment decision-making, selection of investment cooperation institutions, etc. As at 31 December 2023, the asset management product service trust that is entrusted to be under the management of SITC amounted to RMB4.972 billion.

# MANAGEMENT DISCUSSION AND ANALYSIS

## *Asset Securitisation Service Trusts*

Trust companies, as trustees, set up special purpose vehicles with the underlying assets of asset securitisation to provide entrusted services for the underlying asset for the asset securitisation business carried out in accordance with relevant regulations of financial regulators. It falls into four business types by the type of underlying assets and service targets: credit asset securitisation service trusts, corporate asset securitisation service trust, non-financial corporate asset-backed note service trust, and other asset securitisation service trust. As at 31 December 2023, the number of the Company's existing asset-backed securities projects is six, totalling RMB9.517 billion, involving ABNs, CMBSs, CMBNs, etc. In its business development, the Company has forged good relationships with financial institutions, including large brokerage firms, large commercial banks, and many quality state-owned enterprises, and has accumulated experience in the selection and construction of underlying assets, asset transfer, information disclosure, and management of trust affairs. Embracing the future, the Company will continue to enhance its capabilities in asset pool construction, product structure design and pricing, and work to branch out into underwriting and investment.

## *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)", "Shandong Prepaid Card Service Trust Management Platform (merchant end)" and trust management end. 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 help the government solve the regulatory problems of pre-paid funds and bolster consumer confidence. So far, the "Shandong An Xin Fu" system has been available online, and such merchants as Hotel Morandi have been settled on the platform and were issued the card. The business has covered three major industries, namely commercial retail, catering and accommodation. The Company will work to grow business scenarios by exploring the application of service trust in housing decoration, property services and more.

## *Assets Management Trusts*

Assets management trust is a self-benefiting trust and falls into a private asset management business in which the trust company sells trust products pursuant to a trust legal relationship and provides investment and management financial services to the investors of the trust products, which is subject to the Guiding Opinions on Regulating the Assets Management Business of Financial Institutions (YF [2018] No. 106). The trust company shall raise funds through non-public offering of a pooled fund trust scheme and manage the investment of the entrusted funds in accordance with the investment methods and ratios as agreed in the trust document. Investors of the trust plan are required to meet the standards of qualified investors and are both principals and beneficiaries at the time of the establishment of the trust.

# MANAGEMENT DISCUSSION AND ANALYSIS

## *Securities Investment Trusts*

Securities investment trust refers to an operation in which a trust company invests funds pooled under a fund trust program in such securities as are publicly issued and publicly traded on such trading venues as are in conformity with the law. The investment usually covers stocks listed and traded on stock exchanges, public securities investment funds, private securities investment funds, financial derivatives, corporate bonds, treasury bonds, convertible bonds, exchangeable bonds, asset-backed securities, treasury bond reverse repurchase, bank deposits, and other types of investments permitted by the regulator. Securities investment trust business can be categorised in ways from different dimensions. By the nature of investment, it can be classified into four business types: fixed income, equity, commodities and financial derivatives, and hybrid. Fixed income refers to trust schemes in which more than 80% of the funds are invested in debt assets such as deposits and bonds; equity refers to trust schemes in which more than 80% of the funds are invested in equity assets such as equities; commodities and financial derivatives refers to trust schemes in which the proportion of investment in commodities and financial derivatives is not less than 80%; and hybrid refers to trust schemes that invest in multiple types of assets and where the proportion of investment in any one type of asset does not meet the aforementioned criteria. By the service contents and business models of trust companies, securities investment trusts can also be categorised into two types of business: self-managed and external advisor. The self-managed category refers to trust schemes in which the trust company, as the manager, independently selects securities products and investment strategies, independently conducts portfolio allocation, and directly makes investment decisions, while the external advisor category refers to trust schemes in which the trust company selects and hires an investment advisor to offer investment advice.

SITC set up a capital market business department to carry out capital market business, which consists of fixed income department, asset allocation department, asset securitisation department, interbank securities service department, private securities service department, financial market 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 31 December 2023, the Company's investment trust business in existing securities was RMB58.280 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.

# MANAGEMENT DISCUSSION AND ANALYSIS

## *Real Estate Trusts*

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

The models of real estate trust business mainly include loan financing, equity investment and innovative business models, such as real estate investment trusts (REITs). The Company selects national enterprises with high industry ranking and high credit rating and high-quality enterprises deeply developed in the region as its counterparties, and provides financial support for residential real estate and non-residential real estate (such as commercial real estate, logistics real estate, etc.) mainly through debt financing and equity investment. Over recent years, affected by the real estate market, the Company has witnessed a dip in its real estate trust business. Going forward, the Company will follow the national macro policy by complying with the regulatory orientation and reasonably judging the market landscape. This aims to support the construction of long-term rental and affordable housing and refresh our efforts in serving the needs of residents for reasonably rigid and improved housing.

## *Industrial and Commercial Enterprises Trusts*

Industrial and commercial enterprises trust refers to the business that the trust company, as the trustee, accepts the trust property of the trustor in the form of single or collective trust, and applies the trust capitals to industrial and commercial enterprises such as production, service and trade enterprises according to the wishes of the trustor to manage, apply and dispose of the trust property. Industrial and commercial enterprises trust can solve the capital needs of enterprises in the process of operation, such as liquidity capital needs, M&A capital needs, etc. Industrial and commercial enterprises trust is an important business for trust companies to comply with the guidance of national policies and guide social funds to invest in the real economy. It can meet the capital needs of enterprises through equity, creditor's rights, stock debt linkage, industrial funds and other ways. As at 31 December 2023, the existing industrial and commercial enterprises trust scale of SITC was RMB51.470 billion, and the counterparties were mainly central enterprises, state-owned enterprises and listed companies with strong strengths and high credit ratings. Against the backdrop of the sluggish effective demand, lower-than-expected social expectations, growing risks, and severe and complex big picture, 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 the manufacturing industry and regional economic development.

# MANAGEMENT DISCUSSION AND ANALYSIS

## *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 31 December 2023, the Company's existing infrastructure trust amounted to RMB10.695 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 31 December 2023, the Company had established consumer finance trusts totalling RMB7.629 billion, providing consumption financial services to 3.2238 million natural persons in aggregate and established long-term and stable cooperative relations with many well-known and stable platforms with high credit ratings 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.

# MANAGEMENT DISCUSSION AND ANALYSIS

## *Public Welfare Charitable Trusts*

Public welfare charitable trust comes as a trust business in which the trustor entrusts its property to a trust company in accordance with the law for the purpose of public welfare, and the trust company manages and disposes of the property in question and carries out public welfare charitable activities in the name of the trust company as the wishes of the trustor. The trust property of a charitable trust and its income shall not be used for purposes other than public welfare. Public welfare charitable trusts come under the two types of business of charitable trusts and other public welfare trusts in accordance with the purpose of the trust as follows: (1) charitable trusts, where the trustor entrusts its property to the trust company for charitable purposes in accordance with the law, and the trust company manages and disposes of it and carries out the charitable activities in the name of the trustee as the wishes of the trustor; and (2) other public welfare trusts: apart from charitable trusts, other public welfare trusts authorised by the regulator are carried out by trust companies in accordance with the Trust Law of the People's Republic of China. The service areas of public welfare charitable trust mainly include poverty alleviation, poverty relief, supporting the elderly, rescuing orphans, rescuing from natural disasters, accidents 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 31 December 2023, the Company has established 34 standardised charitable trusts with a cumulative delivery scale of about RMB135.35 million, and has used trust funds of about RMB20 million according to the wishes of the clients, with 6,581 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. The charity projects were recognised by the 8th "Shandong Charitable Award • Excellent Charity Project" and the 16th "SSE • Integrity Trust" Best Charitable Trust Product Award. In April 2023, SITC and Shandong Luxin Public Welfare Foundation jointly held the charity auction entitled "Trust" and "Mental Disorder" Hand in Hand and Bravely (similar to the Chinese character of "橄" in pronunciation) Moving forward for Care for the "Youth with Mental Disorder" together with Jinan Legan'er Service Center for the Mentally Disabled and Shandong Provincial Foundation for Rural Vitalisation, mobilising employees and customers to participate in public welfare charity activities and promote charity culture. Forty-three items were sold in the charity auction, raising RMB29,755. Shandong Luxin Public Welfare Foundation donated computers, screens, projectors and other multimedia facilities to Legan'er.

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, 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.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Proprietary Business

In 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 RMB426.6 million from its proprietary business in 2023, representing a year-on-year decrease of 18.9%, mainly due to the increase in gains from changes in fair value from RMB40.2 million in 2022 to RMB212.7 million in 2023; the Company recorded net interest expense of RMB78.0 million in 2022 and net interest income of RMB99.6 million in 2023, which was partially offset by a decrease in investment income from RMB520.3 million in 2022 to RMB72.4 million in 2023.

## Allocation of Proprietary Assets

Pursuant to the Administrative Measures on Trust Companies (《信託公司管理辦法》) issued by the former CBIRC 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.

# MANAGEMENT DISCUSSION AND ANALYSIS

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

	<b>31 December</b>	
	<b>2023</b>	<b>2022</b>
	(RMB in thousands)	
<b>Investments in monetary assets</b>	<b>628,173</b>	2,535,524
Cash at banks	168,505	405,298
Other monetary assets	64,619	1,803,005
Government bonds purchased under agreements to resell	395,049	327,221
<b>Securities Investments</b>	<b>10,019,091</b>	8,405,423
<i>Investment in equity products</i>	2,264,800	1,515,532
Listed stock investment classified as:		
– Financial assets held for trading	1,481,481	43,366
Subtotal	1,481,481	43,366
Public fund investments classified as:		
– Financial assets held for trading	783,319	1,472,166
Subtotal	783,319	1,472,166
<i>Investment in wealth management products</i>		
Investments in consolidated trust schemes	2,633,387	1,323,148
Investment in unconsolidated trust schemes classified as financial assets held for trading	518,630	725,660
Investment in unconsolidated trust schemes classified as debt investments	189,079	187,436
Other financial investment classified as debt investments	3,464,378	3,645,299
Bond investments	11,600	320,707
Asset management products	937,217	687,641
<b>Long-Term Equity Investments</b>	<b>1,153,095</b>	1,071,650
Investment accounted for using the equity method	521,591	515,703
Investment classified as financial assets held for trading	631,504	555,947
<b>Proprietary Loans Trust</b>	<b>115,627</b>	107,580
<b>Trust Industry Protection Fund</b>	<b>111,448</b>	108,895
<b>Assets classified as held for sale</b>	<b>–</b>	675,178
<b>Total</b>	<b>12,027,434</b>	12,904,250

# MANAGEMENT DISCUSSION AND ANALYSIS

## 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:

	31 December 2023 (RMB in thousands)	2022
<b>Investment in monetary assets</b>		
– Cash at banks	168,505	405,298
– Other monetary assets	64,619	1,803,005
– Government bonds purchased under agreements to resell	395,049	327,221
<b>Total</b>	<b>628,173</b>	<b>2,535,524</b>

	For the year ended 31 December 2023 (RMB in thousands)	2022
<b>Interest income generated from:</b>		
– Cash at banks	1,546	966
– Government bonds purchased under agreements to resell	14,893	21,042
<b>Total</b>	<b>16,439</b>	<b>22,008</b>

Average investment return of the Company's monetary assets (calculated as the total of investment income (in terms of interest income received), annualised as a percentage of average investment balance in such monetary assets, where appropriate) were 1.0% and 1.0% for the year ended 31 December 2022 and for the year ended 31 December 2023.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 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 year ended 31 December	
	2023	2022
	(RMB in millions, except risk category)	
<b>Risk category of underlying investments</b>		
– Equity products	High	High
– Trust schemes	Medium	Medium
– Debt investments	Medium	Medium
– Bond investments	Medium	Medium
– Asset management products	Medium	Medium
<b>Average investment balance<sup>(1)</sup></b>		
– Equity products	1,890.2	1,230.0
– Trust schemes	2,788.7	3,634.0
– Debt investments	3,554.8	2,266.5
– Bond investments	166.2	160.4
– Asset management products	812.4	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 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 53.7% from RMB1,230.0 million in 2022 to RMB1,890.2 million in 2023; the average balance of investments in trust schemes decreased by 23.3% from RMB3,634.0 million in 2022 to RMB2,788.7 million in 2023; the average balance of the debt investments increased by 56.8% from RMB2,266.5 million in 2022 to RMB3,554.8 million in 2023; and the average balance of investments in asset management products increased by 84.1% from RMB441.2 million in 2022 to RMB812.4 million in 2023.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Long-Term Equity Investments

The Company made strategic long-term investments in a number of financial institutions, which helped the Company establish stronger business relationships with these financial institutions and created synergies for its business operations.

The following table sets forth the major equity investments of the Company in financial institutions as at 31 December 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 31 December		Board seat	First investment date	Accounting treatment
		2023				
Sinotruk Auto Finance Co., Ltd.	Automobile finance	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		December 2010	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 CASBE, and account for the Company's long-term equity investments in other companies as financial assets held for trading under the requirements of CASBE No.22 "Recognition and Measurement of Financial Instruments" since 1 January 2018.

The balance of the Company's total 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:

	31 December 2023	2022
	(RMB in thousands)	
<b>Long-term equity investments, accounted for:</b>		
– As associate using the equity method	521,591	515,703
– Investment categorised as financial assets held for trading	631,504	555,947
<b>Total</b>	<b>1,153,095</b>	<b>1,071,650</b>

# MANAGEMENT DISCUSSION AND ANALYSIS

	For the year ended 31 December	
	2023	2022
	(RMB in thousands)	
<b>Dividend income generated from:</b>		
– As associate using the equity method	781	233,450
– Investment categorised as financial assets held for trading	796	5,609
<b>Total</b>	<b>1,577</b>	<b>239,059</b>

The average investment returns of the Company's long-term equity investments (calculated as the total of the investment income (in terms of the dividend income received), annualised as a percentage of average investment balance in such long-term equity investments, where appropriate) were 14.4% and 0.1% for the year ended 31 December 2022 and for the year ended 31 December 2023, respectively. The significant decrease in average return on long-term equity investments in 2023 as compared to that of 2022 was primarily due to the significant decrease in dividend income from the associates of the Company in 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 31 December 2023, the outstanding balance of the Company's proprietary loans were RMB107.6 million and RMB115.6 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 former 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 31 December 2023.

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL OVERVIEW

### Analysis of Consolidated Income Statement

In 2023, the Company achieved a net profit of RMB158.6 million, representing a decrease of RMB121.8 million, or 43.4%, as compared to the corresponding period of last year.

### Results of Operations

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

Item	For the year ended 31 December	
	2023	2022
	(RMB in thousands)	
<b>I. Total operating income</b>	<b>1,190,457</b>	1,508,706
Net Interest Income	100,235	-76,621
Including: Interest income	192,203	62,741
Interest expense	91,968	139,362
Net fee and commission income	766,122	981,743
Including: Fee and commission income	771,125	990,286
Fee and commission expenses	5,003	8,543
Investment income	72,373	520,345
Including: Income from investment in associates and joint ventures	10,193	176,985
Gains from changes in fair value	212,740	40,218
Gains from changes in net assets attributable to third-party investors in consolidated structured entities	26,263	35,053
Other operating income	12,677	7,795
Gains on disposal of assets	47	173
<b>II. Total operating costs</b>	<b>781,110</b>	915,974
Tax and surcharges	8,356	12,911
Business and administrative expenses	269,073	283,455
Credit impairment losses	500,462	618,726
Other operating costs	3,219	882
<b>III. Operating profit</b>	<b>409,347</b>	592,732
Add: Non-operating income	2,935	621
Less: Non-operating expenses	122,132	2,119
<b>IV. Total profit</b>	<b>290,150</b>	591,234
Less: Income tax expenses	131,517	310,805
<b>V. Net profit</b>	<b>158,633</b>	280,429

# MANAGEMENT DISCUSSION AND ANALYSIS

## 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 year ended 31 December	
	2023	2022
	(RMB in thousands)	
<b>Interest income</b>	<b>192,203</b>	62,741
Including: Cash and bank deposits	2,174	2,365
Loans and advances to customers	97,290	28,432
Debt investments	77,543	10,399
Financial assets purchased under resale agreements	14,882	21,042
Others	314	503
<b>Interest expense</b>	<b>91,968</b>	139,362
Including: Short-term borrowings	51,154	114,385
Income attributable to third-party trust beneficiaries of consolidated structured entities	37,671	21,953
Others	3,143	3,024
<b>Net interest income</b>	<b>100,235</b>	-76,621

The Group's net interest income in 2023 amounted to RMB100.2 million, as compared to a net interest expense of RMB76.6 million in the corresponding period of last year, mainly due to: (i) interest income for 2023 amounted to RMB192.2 million, representing an increase of 206.3% as compared to RMB62.7 million for 2022, of which the interest income of the loans granted by the Group increased from RMB28.4 million in 2022 to RMB97.3 million in 2023, and (ii) the interest income on debt investments increased from RMB10.4 million in 2022 to RMB77.5 million in 2023. In 2023, interest expense amounted to RMB92.0 million, representing a decrease of RMB47.4 million as compared to the corresponding period of last year.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 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 year ended 31 December	
	2023	2022
	(RMB in thousands)	
<b>Fee and commission income</b>	771,125	990,286
Including: Trustee's remuneration	717,392	961,864
Others	53,733	28,422
<b>Fee and commission expenses</b>	5,003	8,543
Including: Guarantee fee	4,443	8,327
Others	560	216
<b>Net fee and commission income</b>	<b>766,122</b>	<b>981,743</b>

The Group's net fee and commission income in 2023 was RMB766.1 million, representing a decrease of 22.0% as compared to RMB981.7 million in 2022, which was mainly due to a decrease of 22.1% in fee and commission income from RMB990.3 million in 2022 to RMB771.1 million in 2023.

## Investment Income

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

Item	For the year ended 31 December	
	2023	2022
	(RMB in thousands)	
Income from long-term equity investments accounted for using equity method	10,193	176,985
Investment income from holding financial assets	55,289	98,021
Investment income from disposal of long-term equity investments	5,001	2,686,122
Investment income from disposal of loans and other debt investments	1,890	-2,440,783
<b>Total</b>	<b>72,373</b>	<b>520,345</b>

The Group's investment income in 2023 was RMB72.4 million, representing a decrease of RMB447.9 million as compared to RMB520.3 million in 2022, which was due to the year-on-year decrease of RMB166.8 million in the income from long-term equity investments accounted for using equity method of the Group in 2023. The investment income from disposal of long-term equity investments decreased by RMB2,681.1 million year-on-year, which was partially offset by a year-on-year increase of RMB2,442.7 million in investment income from disposal of loans and other debt investments.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Gains from Changes in Fair Value

	For the year ended 31 December	
	2023	2022
	(RMB in thousands)	
<b>Source of gains from changes in fair value</b>		
Financial assets held for trading	228,095	-41,867
Enterprises invested by the consolidated structured entities	-15,355	82,085
<b>Total</b>	<b>212,740</b>	<b>40,218</b>

The Group's gains from changes in fair value increased from RMB40.2 million in 2022 to RMB212.7 million in 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 2023.

## 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 year ended 31 December	
	2023	2022
	(RMB in thousands)	
Employee benefits	122,427	144,744
Depreciation and amortisation	57,181	44,858
Legal and professional fees	11,117	18,382
Network expenses	17,895	16,293
Promotional expenses	7,003	9,716
Lease charges	7,961	7,733
Business hospitality expenses	5,656	7,272
Travel expenses	5,942	4,254
Office expenses	3,104	1,754
Others	30,787	28,449
<b>Total</b>	<b>269,073</b>	<b>283,455</b>

The Group's business and administrative expenses in 2023 were RMB269.1 million, representing a decrease of 5.1% as compared with RMB283.5 million in 2022, which was mainly due to the decrease in employee benefits of the Group.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Credit Impairment Losses

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

Item	For the year ended 31 December	
	2023	2022
	(RMB in thousands)	
Losses on bad debts of accounts receivable	6,842	1,603
Losses on bad debts of other receivables	19,232	1,630
Impairment losses on loans and advances to customers	165,006	445,222
Impairment losses on debt investments	309,382	170,271
<b>Total</b>	<b>500,462</b>	<b>618,726</b>

The Group's credit impairment losses decreased by 19.1% from RMB618.7 million in 2022 to RMB500.5 million in 2023, mainly due to a decrease in provisions in 2023 year-on-year based on the actual credit risk and the previous accrued basis.

## Non-operating Expenses

Item	For the year ended 31 December	
	2023	2022
	(RMB in thousands)	
Compensation expenses	120,810	764
Penalty expenses	400	1,270
Losses on retirement of non-current assets	922	85
<b>Total</b>	<b>122,132</b>	<b>2,119</b>

The Group's non-operating expenses increased from RMB2.1 million in 2022 to RMB122.1 million in 2023, mainly due to the provision for compensation expenses of RMB120.8 million as the Company was involved in two litigation.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Total Profit and Operating Margin

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

	For the year ended 31 December	
	2023	2022
	(RMB in thousands)	
Total profit	290,150	591,234
Operating margin <sup>(1)</sup>	24.4%	39.2%

Note:

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

As a result of the foregoing, the Group's total profit decreased from RMB591.2 million in 2022 to RMB290.2 million in 2023.

## Income Tax Expenses

Item	For the year ended 31 December	
	2023	2022
	(RMB in thousands)	
Income tax expenses for the year	170,546	251,482
Deferred income tax expenses	-39,029	59,323
<b>Total</b>	<b>131,517</b>	<b>310,805</b>

The Company recorded an income tax expense of RMB310.8 million in 2022 and an income tax expense of RMB131.5 million in 2023, mainly due to the year-on-year decrease in the Group's total profit in 2023.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Net Profit and Net Profit Margin

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

	For the year ended 31 December	
	2023	2022
	(RMB in thousands)	
Net profit	158,633	280,429
Net profit margin <sup>(1)</sup>	13.3%	18.6%

Note:

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

As a result of the foregoing reasons, the net profit decreased from RMB280.4 million in 2022 to RMB158.6 million in 2023.

## 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 year ended 31 December	
	2023	2022
	(RMB in thousands)	
<b>Trust business:</b>		
Operating income	766,750	983,142
Segment income	766,750	983,142
<b>Proprietary business:</b>		
Operating income	423,707	525,564
Non-operating income	2,935	621
Segment income	426,642	526,185

# MANAGEMENT DISCUSSION AND ANALYSIS

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

	For the year ended 31 December	
	2023	2022
	(RMB in thousands)	
<b>Trust business:</b>		
Operating expenses	264,487	281,169
Non-operating expenses	122,032	2,102
Segment expenses	386,519	283,271
<b>Proprietary business:</b>		
Operating expenses	516,623	634,805
Non-operating expenses	100	17
Segment expenses	516,723	634,822

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 year ended 31 December	
	2023	2022
	(RMB in thousands)	
Trust business	380,231	699,871
Proprietary business	-90,081	-108,637
<b>Total profit</b>	<b>290,150</b>	<b>591,234</b>

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 year ended 31 December	
	2023	2022
Trust business	49.6%	71.2%
Proprietary business	-21.1%	-20.6%

# MANAGEMENT DISCUSSION AND ANALYSIS

## **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, other business costs and non-operating expenses that are related to the Group's trust business.

The total profit of the Group's trust business decreased by 45.7% from RMB699.9 million in 2022 to RMB380.2 million in 2023, primarily due to a decrease of 22.0% in the segment income from the trust business from RMB983.1 million in 2022 to RMB766.8 million in 2023, and an increase of 36.4% in segment operating expenses from the trust business from RMB283.3 million in 2022 to RMB386.5 million in 2023.

- (1) The decrease in the segment income from the trust business was mainly due to a decrease in the Group's net fee and commission income from RMB981.7 million in 2022 to RMB766.1 million in 2023.
- (2) The increase in the segment operating expenses from the trust business was mainly due to an increase in non-operating expenses related to trust business from RMB2.1 million in 2022 to RMB122.0 million in 2023.

As a result of the foregoing, the segment margin of the trust business decreased from 71.2% in 2022 to 49.6% in 2023.

## **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 and 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 RMB108.6 million in 2022, as compared to a loss of RMB90.1 million in 2023, primarily due to a decrease of 18.9% in the segment income from the proprietary business from RMB526.2 million in 2022 to RMB426.6 million in 2023, which was partially offset by a decrease of 18.6% in the segment operating expenses from the proprietary business from RMB634.8 million in 2022 to RMB516.7 million in 2023.

- (1) The decrease in segment income from the proprietary business was mainly due to (i) an increase in the gains from changes in fair value from RMB40.2 million in 2022 to RMB212.7 million in 2023; and (ii) the Company recorded net interest expense of RMB78.0 million in 2022 and net interest income of RMB99.6 million in 2023; partially offset by (iii) a decrease in the investment income from RMB520.3 million in 2022 to RMB72.4 million in 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 RMB618.7 million in 2022 to RMB500.5 million in 2023.

## **Selected Consolidated Financial Positions**

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

# MANAGEMENT DISCUSSION AND ANALYSIS

## Assets

As at 31 December 2022 and 31 December 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 RMB14,168.9 million, respectively, of which the total assets of the Company amounted to RMB14,065.9 million and RMB13,249.8 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 31 December 2023, the above-mentioned major assets accounted for 15.5%, 31.8%, 6.0%, 31.8%, 2.0%, 1.2% and 2.8% 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	31 December	
	2023	2022
	(RMB in thousands)	
<b>Principal amount of loans and advances to customers</b>	<b>2,428,707</b>	1,238,308
Including: Issued by the Company	115,000	115,000
Issued by consolidated structured entities	2,313,707	1,123,308
<b>Interest receivable</b>	<b>125,371</b>	15,709
Less: ECL allowance – principal amount	339,299	229,179
ECL allowance – interest receivable	13,254	867
<b>Loans and advances to customers, net</b>	<b>2,201,525</b>	1,023,971

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 98.1% from RMB377.6 million as at 31 December 2022 to RMB748.0 million as at 31 December 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 31 December 2023 were RMB267.5 million and RMB897.3 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 RMB180.9 million for these impaired loans as at 31 December 2022 and 31 December 2023, respectively, representing 46.7% and 24.2% of the gross amount of those loans, respectively. The Group has provided impairment allowances in accordance with the provisions under 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 30.8% of the Group's gross loans and advances to customers as at 31 December 2022 and 31 December 2023, respectively.

# MANAGEMENT DISCUSSION AND ANALYSIS

The Company is allowed to grant loans to customers using its proprietary assets, which are referred to as the Company's proprietary loans. As at 31 December 2023, the principal balance of Company's proprietary loans was RMB115 million, which remained 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:

	31 December	
	2023	2022
	(RMB in thousands)	
Principal amount of loans and advances to customers	115,000	115,000
Interest receivable	7,526	297
Less: ECL allowance – principal	6,475	7,697
ECL allowance – interest receivable	424	20
<b>Loans and advances to customers, net</b>	<b>115,627</b>	<b>107,580</b>

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:

	31 December	
	2023	2022
	(RMB in thousands)	
Principal	6,813,115	6,005,545
Interest receivable	17,822	3,359
<b>Total</b>	<b>6,830,937</b>	<b>6,008,904</b>
Less: ECL allowance – principal	2,321,985	2,176,002
ECL allowance – interest receivable	1,695	167
<b>Net amount</b>	<b>4,507,257</b>	<b>3,832,735</b>

# MANAGEMENT DISCUSSION AND ANALYSIS

## 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 enterprises invested by the consolidated structured entities and the book value of investments in them as at the dates indicated:

	Equity Interest as at 31	
	December 2023	31 December 2023      2022 (RMB in thousands)
<b>Associates directly invested by the Company accounted for using equity method:</b>		
Taishan Property & Casualty Insurance Co., Ltd. (泰山財產保險股份有限公司)	7.40%	162,278      171,033
Sinotruk Automobile Finance Co., Ltd. (重汽汽車金融有限公司)	6.52%	225,155      218,079
Dezhou Bank Co., Ltd. (德州銀行股份有限公司)	2.37%	130,250      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%	3,908      3,768
<b>Subtotal</b>		<b>521,591      515,703</b>
<b>Enterprises invested by the consolidated structured entities</b>		<b>322,478      387,404</b>
<b>Total</b>		<b>844,069      903,107</b>

# MANAGEMENT DISCUSSION AND ANALYSIS

## **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	31 December 2023 (RMB in thousands)	2022
Financial assets at FVTPL	4,506,455	4,082,962
Including: Stock investments	1,481,481	43,366
Public fund investments	783,319	1,472,194
Investment in asset management scheme	937,217	697,701
Bond investments	11,628	390,546
Equity investments in unlisted companies	661,872	596,214
Trust Industry Protection Fund	112,308	109,881
Investments in trust schemes	518,630	773,060
<b>Total</b>	<b>4,506,455</b>	<b>4,082,962</b>

Significant investments: The Company holds shares of China Zheshang Bank Co., Ltd. ("**CZ Bank**"). CZ Bank is principally engaged in corporate and retail banking services, treasury business and other commercial banking business. The A shares and H shares of CZ Bank are listed on the Shanghai Stock Exchange and the Hong Kong Stock Exchange (A share stock code: 601916, H share stock code: 2016), respectively. As at 31 December 2023, the fair value of the investment was approximately RMB1.425 billion, and the initial investment cost was approximately RMB1.179 billion. The management of the Company expects the future business development of CZ Bank to be stable.

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 10.4% from RMB4,083.0 million as at 31 December 2022 to RMB4,506.5 million as at 31 December 2023, primarily due to the Group's (i) increase of the stock investments; (ii) increase of the investments in asset management schemes; (iii) decrease of the public fund investments; (iv) decrease of the bond investments; and (v) decrease of the investments in trust schemes.

## **Monetary Assets**

As at 31 December 2022 and 31 December 2023, the Group's monetary assets amounted to RMB2,240.6 million and RMB283.9 million, respectively, of which RMB2,208.3 million and RMB233.1 million, respectively, were proprietary assets of the Company, and the remaining was cash and bank balance of the Group's consolidated trust schemes.

# MANAGEMENT DISCUSSION AND ANALYSIS

## *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 16.5% from RMB148.1 million as at 31 December 2022 to RMB172.5 million as at 31 December 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 instalments according to the 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 29 February 2024, 20.2% 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 as at 31 December 2022 to RMB395.0 million as at 31 December 2023. These changes were due to the flexible adjustment of the business scale of the Company's government bond purchased under agreements to resell 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 31 December 2023, respectively.

## **Liabilities**

As at 31 December 2022 and 31 December 2023, the Group's total liabilities amounted to RMB3,523.9 million and RMB3,079.5 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 NFRA. The Group's major liabilities during the Reporting Period included short-term borrowings, employee benefits payable, provisions and other liabilities. As at 31 December 2023, the above liabilities accounted for 31.7%, 2.4%, 3.9%, and 55.7% of the Group's total liabilities, respectively.

## *Short-term Borrowings*

As at 31 December 2023, the Group's short-term borrowings amounted to RMB974.8 million were interest-bearing loans from China Trust Protection Fund Co., Ltd. which will fall due in April, May, June and September 2024, respectively.

## *Provisions*

As at 31 December 2023, the Group's provisions amounted to RMB120.8 million were estimated litigation compensation.

# MANAGEMENT DISCUSSION AND ANALYSIS

## *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 230.8% from RMB243.9 million as at 31 December 2022 to RMB806.9 million as at 31 December 2023. Changes in such amount mainly reflected changes in the net assets of the Group's consolidated trust schemes as well as the changes 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 RMB333.9 million as at 31 December 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 as at 31 December 2022 to RMB246.5 million as at 31 December 2023.

## *Off-balance Sheet Arrangements*

As at 31 December 2023, the Group did not have any outstanding off-balance sheet guarantees or foreign currency forward contracts.

# MANAGEMENT DISCUSSION AND ANALYSIS

## ASSETS UNDER MANAGEMENT, ASSET QUALITY AND FINANCIAL PERFORMANCE OF CONSOLIDATED TRUST SCHEMES

The Group's results of operations and financial condition have been affected by the AUM, asset quality and financial performance of the 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 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 not caused by the Company's failure to properly fulfil its duty as a trustee, the Company has consolidated some of the trust schemes under its management pursuant to 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 year ended 31 December 2023, the Company had consolidated 19 and 22 of the trust schemes under its management, respectively, and the total trust assets of these consolidated trust schemes were RMB1,892.4 million and RMB3,724.3 million, respectively. The following table sets forth changes in the number of the Group's consolidated trust schemes during the Reporting Period:

	For the year ended 31 December	
	2023	2022
<b>Beginning:</b>	19	32
Newly consolidated trust schemes	7	1
Deconsolidated trust schemes	4	14
<b>Ending:</b>	22	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:

	31 December	
	2023	2022
	(RMB in millions)	
Total assets of the Company	13,250	14,066
Total assets of consolidated trust schemes	3,724	1,892
Consolidation adjustment	-2,805	-1,500
<b>Total assets of the Group</b>	<b>14,169</b>	<b>14,458</b>

# MANAGEMENT DISCUSSION AND ANALYSIS

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:

	31 December 2023	2022
	(RMB in millions)	
Total liabilities of the Company	2,156	3,203
Total liabilities of consolidated trust schemes	302	234
Consolidation adjustment	622	87
<b>Total liabilities of the Group</b>	<b>3,080</b>	<b>3,524</b>

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

	31 December 2023	2022
	(RMB in millions)	
Total equity of the Company	11,094	10,863
Consolidation adjustment	-5	71
<b>Total equity of the Group</b>	<b>11,089</b>	<b>10,934</b>

# MANAGEMENT DISCUSSION AND ANALYSIS

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 year ended 31 December	
	2023 (RMB in millions)	2022
Net profit of the Company before consolidation of trust schemes	234	284
Impact of consolidation of trust schemes	-75	-4
<b>Net profit of the Group after consolidation of trust schemes</b>	<b>159</b>	<b>280</b>

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 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, 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 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.

# MANAGEMENT DISCUSSION AND ANALYSIS

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 actively managed trusts, the Company is more likely to be required to consolidate those in which it has made proprietary investments as there may be 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 projects of trust beneficiaries pursuant to the terms and conditions of respective trust contract, when the Company determines whether a trust scheme should be consolidated or not.

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

## RISK MANAGEMENT

### Overview

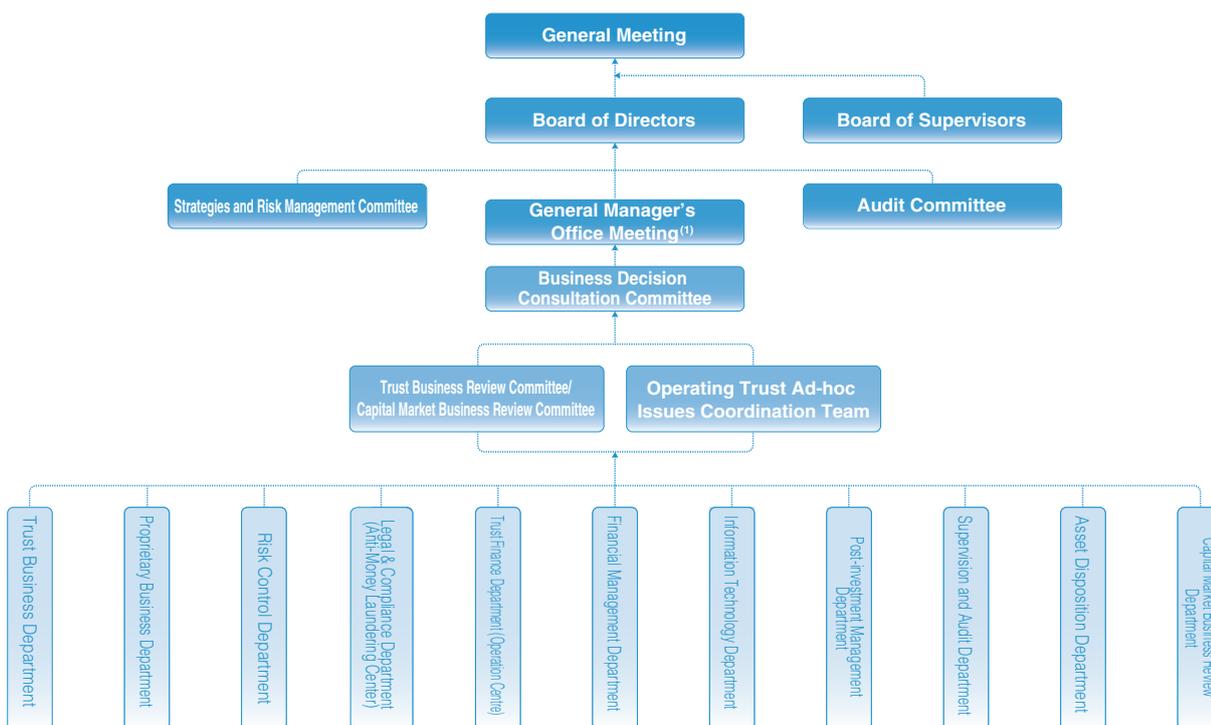
The Company has been devoted to establishing risk management and internal control systems consisting of objectives, principles, organisational framework, procedures and methods against key risks that the Company considers to be appropriate for its business operations, and the Company has developed a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

# MANAGEMENT DISCUSSION AND ANALYSIS

## 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; (3) the Board of Supervisors; (4) the General Manager's Office Meeting; (5) the Business Decision Consultation Committee; (6) the Trust Business Review Committee/Capital Market Business Review Committee; (7) the Operating Trust Ad-hoc Issues Coordination Team; and (8) other functional departments, including the Risk Control Department, Legal & Compliance Department (Anti-Money Laundering Center), Capital Market Business Review Department, Trust Finance Department (Operation Centre), Financial Management Department, Information Technology Department, Post-investment Management Department, Supervision and Audit Department, Asset Disposition Centre and Proprietary Business Department. Finally, all trust business departments of the Company are required to assume primary risk management responsibilities.

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



Note:

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

# MANAGEMENT DISCUSSION AND ANALYSIS

## Factors Affecting the Company's Results of Operations

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

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

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

After Chinese economy has experienced rapid growth for over 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. 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.

# MANAGEMENT DISCUSSION AND ANALYSIS

## **Regulatory Environment**

The Company's results of operations, financial condition and development prospects are affected by regulatory developments in the PRC. The NFRA (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 PBOC, the former CBIRC, the CSRC and the State Administration of Foreign Exchange jointly issued the Guiding Opinions on Regulating Asset Management Business of Financial Institution (Yin Fa [2018] No.106) (《關於規範金融機構資產管理業務的指導意見》(銀發 [2018] 106號)) to unify the regulatory standards of asset management business by product types, requiring, among other things, financial institutions including trust companies to carry out "de-channelling" and "reduce nested systems" in conducting the asset management business. In 2020, the former CBIRC made clear requirements for the pressure drop of trust companies' channel business and financing business, insisting on the goal of "de-channelling", continuing to standardise business development and guiding trust companies to accelerate business model transformation. In March 2023, the former CBIRC issued the Notice on Standardising 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 former 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 commercial bank wealth management subsidiaries, 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 face increased competition and lose some of its advantages as a result.

# MANAGEMENT DISCUSSION AND ANALYSIS

## **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.

# MANAGEMENT DISCUSSION AND ANALYSIS

The Company also faces competition from other financial institutions. For the Company's financing trusts, the Company competes with other potential financing sources, such as commercial banks and commercial bank wealth management subsidiaries, for the Company's counterparty clients and the intensity of competition from other financing sources will affect the number and quality of the Company's counterparty clients as well as the level of interest the Company can charge on financings to the Company's counterparty clients and thereby affect the Company's operating income and profitability. For the Company's investment trusts, the Company competes with other financial institutions that provide assets and wealth management services. Given the changes of regulation policies on various financial sectors, financial institutions such as commercial banks, and commercial bank wealth management subsidiaries, securities firms, fund management companies, private 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 affect 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 affect 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.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Credit Risk Management

Credit risk refers to the risk that the clients and counterparties of the Company fail to fulfil 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 NFRA, 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 its intelligent risk control system, which was independently designed and developed, and realised 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 becomes insufficient. Under circumstances where the Company assesses the likelihood of such default becomes relatively high, the Company may take necessary remedy and disposition measures in a timely manner to minimise the potential loss.

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

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

## 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.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 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.

## 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.

## 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 Supervision and Audit Department of the Company shall be responsible for conducting internal auditing and evaluating the effectiveness of the operational risk management.

## Reputational Risk Management

The Company values its positive market image which has been built over the years. It actively implements effective measures to avoid and prevent from any harm to its reputation. The Company formulated the Administrative Measures on Reputational Risk Management 《(聲譽風險管理辦法)》. 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".

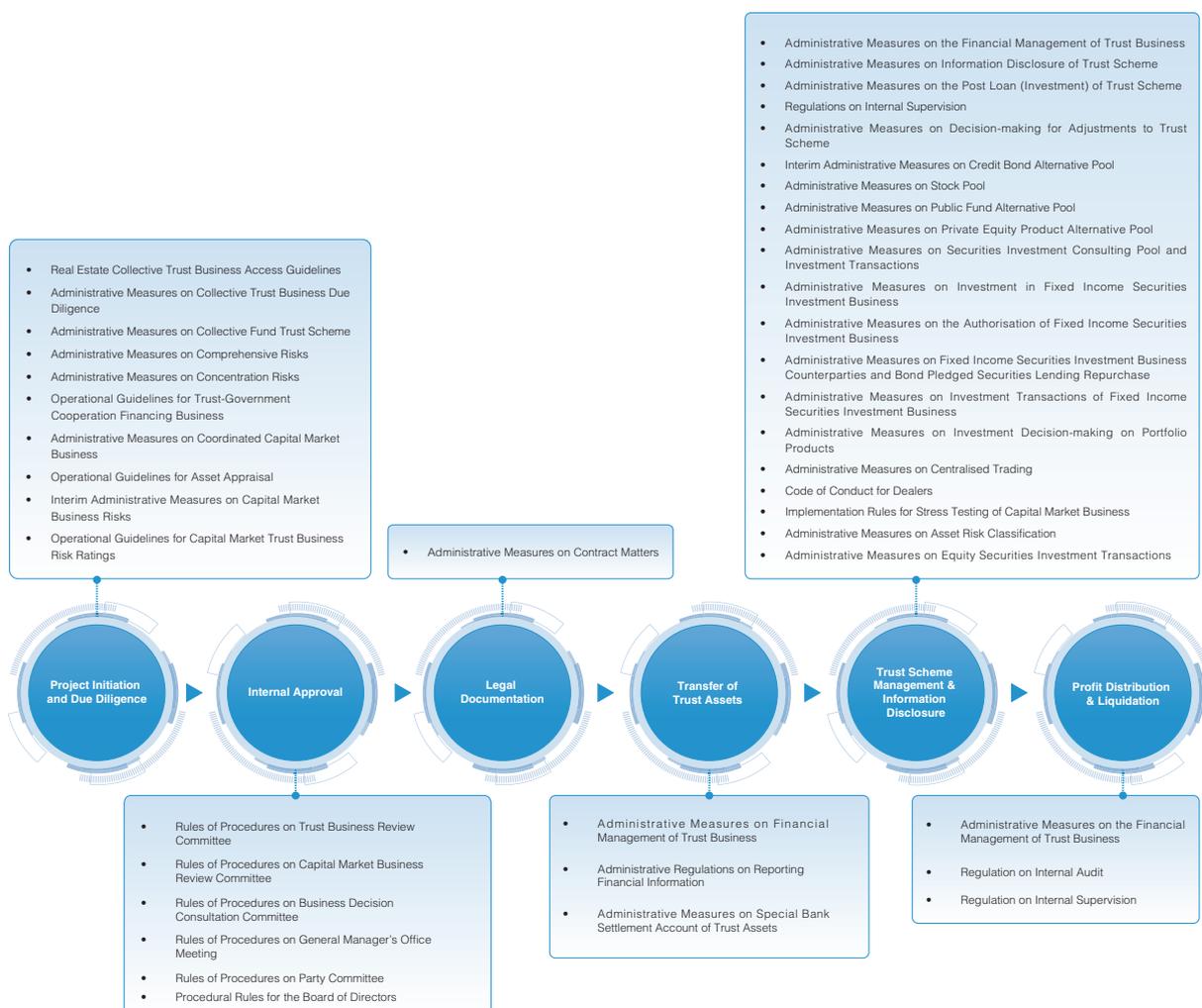
# MANAGEMENT DISCUSSION AND ANALYSIS

## Other Risk Management

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

## Risk Management Systems and Policies

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



# MANAGEMENT DISCUSSION AND ANALYSIS

The main systems and policies governing the proprietary business of the Company include Procedural Rules for the Board of Directors (董事會議事規則), Rules of Procedures on Party Committee (黨委會議事規則), Rules of Procedures on General Manager's Office Meeting (總經理辦公會議事規則), Administrative Measures on Proprietary Financial Equity Investment Business (固有資金金融股權投資業務管理辦法), Administrative Measures on Proprietary Equity Investment Business (固有資金股權投資業務管理辦法), Administrative Measures on Proprietary Securities Investment (自營證券業務管理辦法), Administrative Measures on Proprietary Loans (固有資金貸款業務管理辦法) and Administrative Measures on Proprietary Guarantee Business (固有資金擔保業務管理辦法), Administrative Measures on Proprietary Financial Products Investment (自有資金投資金融產品管理辦法).

## 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 Department), Post-Investment Management Department, 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.

# MANAGEMENT DISCUSSION AND ANALYSIS

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

## CAPITAL MANAGEMENT

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

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

The Company monitors the net capital and risk-based capital regularly based on regulations issued by the NFRA. Effective from 20 August 2010, the Company started to implement the former 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 NFRA on a quarterly basis.

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

As at 31 December 2023, the Company's net capital was approximately RMB8.889 billion, which is not less than RMB200 million; the total risk-based capital was approximately RMB3.190 billion; the ratio of net capital to total risk-based capital was 278.65%, which is not lower than 100%; and the ratio of net capital to net asset was 80.13%, which is not lower than 40%.

## FUTURE PROSPECT

For some time to come, the slowdown in global trade growth will weigh on economic growth, the fluctuations of energy prices against inflation, and the financial risks that may be induced by high debts, high interest rates and geopolitical conflicts around the world should not be overlooked. China's economy is facing a series of challenges such as insufficient effective demand, overcapacity in some industries, weak social expectations, and more risks and hidden dangers. In general, China's development is facing more favourable conditions than unfavourable factors, with huge development resilience and potential, and the basic trend of economic recovery and long-term improvement remains unchanged.

# MANAGEMENT DISCUSSION AND ANALYSIS

The Central Financial Work Conference and the Central Economic Work Conference pointed out a new direction for the trust industry to promote high-quality development and build a strong financial country. The transformation and upgrading needs of the real economy, the needs of people for a better life and the large base of middle-income groups have brought tremendous development space and important market opportunities for the trust companies. The trust industry should adhere to the guidance of supervision, establish the original advantages of trust, always practice the political and people nature of entrusted services, improve professionalism, and embark on the road of high-quality development of the trust industry with Chinese characteristics.

Under the guidance of regulatory policies and the “new three categories” reform of trusts, SITC will strengthen the pace of transformation, insist on returning to the origin of trust, further enhance the ability to serve the transformation and upgrading of the real economy, seize the development opportunities of the capital market, make every effort to build a “allocation-oriented” wealth management system, adhere to “gathering capital to develop Shandong”, focus on regional economic development, and step up its efforts in five major aspects, namely technology trust, green trust, inclusive trust, pension trust and digital trust, so as to provide comprehensive financial services for the high-quality development of the real economy and people’s needs for a better life, and strive to build a new pattern of high-quality development of the Company.

## KEY TASKS FOR 2024

In 2024, SITC will, by fully implementing the spirit of the 20th National Congress of the Communist Party of China and the spirit of the Central Economic and Financial Work Conference, firmly grasp the theme of high-quality development, maintain determination, reshape capabilities, work hard to improve internal strength, comply with regulatory guidance, adhere to the concept of transformation and development, and spare no effort to focus on featured operations to build a regional trust company with “stability and health” and “specialisation and refinement”.

**Firstly, the Group will push ahead the development of advantageous businesses.** While accelerating the development of featured and advantageous businesses represented by family trusts, the Group will continue to deepen cooperation with banks, securities firms and other channels, focus on batch quantitative scenarios, and promote the achievement of economies of scale. The Group will vigorously explore the new blue ocean of the industry, capture the family trust market, improve the development level of insurance trust business, and actively explore the insurance trust business model of pension function. The Group will strive to expand the scale of standard product trusts, maintain good active management investment performance, improve the fixed income product line, promote the accelerated increase in scale, and continue to cultivate core competitive advantages around the five core elements of investment research, system, talent, product and risk management. The Group will select non-standard business opportunities, invest in high-quality projects, and build a “refined and excellent” business model. The Group will lead the business development with innovation, give full play to the unique advantages of the trust system in the fields of pension and inclusive finance, and shape differentiated competitive advantages and core competitiveness.

# MANAGEMENT DISCUSSION AND ANALYSIS

**Secondly, the Group will explore the potential of regional development.** Based on local government services, the Group will deepen the business content of “government trust”. The Group will comprehensively use non-standard loans, securities investment banking, asset services and other tools to meet the needs of local governments for capital financing, and provide comprehensive financial services for the full life cycle of key enterprises in the province. The Group will keep a close eye on the new anchors of asset service trusts, focus on new service businesses such as risk disposal service trusts and prepaid fund service trusts, and strive to build trusts as a useful tool for government departments to improve their social governance capabilities. The Group will implement the concept of green development, seize the opportunity of the construction of a green, low-carbon and high-quality development pilot zone in Shandong Province, give full play to the industry-university-research linkage of the green research team, explore and innovate green trust product models, and strive to promote the transformation of research achievements into business practices.

**Thirdly, the Group will firmly guard the bottom line to prevent risks.** Adhering to the two priorities of “standardisation” and “control”, the Group will coordinate the disposal of non-performing assets and risk prevention and control. In addition to strengthening strategic risk management, the Group will improve the construction of a closed-loop system for the whole process of risk management and control, adhere to the risk management culture of “comprehensive, full staff and whole process”, strengthen pre-approval, post-loan management and temporary management of projects, strictly control concentration risks, establish an early risk correction mechanism, and strictly prevent new risks using a multi-pronged approach. The Group will consolidate the responsibility for risk prevention and control, accelerate the establishment of asset disposal centers, and improve the professional level of asset disposal teams. While vigorously cultivating a compliance culture, the Group will effectively strengthen compliance training, improve the compliance system, maintain public opinion, and strictly prevent reputation risks.

**Fourthly, the Group will unswervingly promote the reform of systems and mechanisms, and continue to improve the performance appraisal system.** Taking into account the Company’s current situation, market competition and transformation direction, and based on the principle of equal emphasis on incentives and constraints, the Group has established a remuneration mechanism in line with the Company’s development characteristics, thus playing the role of a commander. The Group will focus on the construction of talent teams, strengthen its efforts in the organisational structure adjustment and talent structure adjustment during the period of reform and transformation of trust companies, improve the mechanism of “promotion and demotion of cadres, employment or dismissal of employees, and salary increment or decrement”, and stimulate the spirit of employee responsibility. The Group will fully implement the “Guo Xin Lan” talent training program to provide necessary resource support and technical guidance for employee transformation. The Group will formulate business synergy management measures, give full play to the leading and driving role of talents in the innovation line, and encourage employees of different lines to integrate resources, work together, unite people and gather strength.

# SIGNIFICANT EVENTS

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

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

## CHANGES IN BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND ADOPTION OF CASBE

Since the listing of the H shares of the Company on 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 and 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 Ministry of Finance 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 of Directors proposed 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 Financial Regulatory Administration approved the relevant amendments to the Articles of Association.

Certain financial items of the Company are adjusted upon the Company's adoption of 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 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.

## 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 (the “**2022 Amendments to the Articles of Association**”). Based on the 2022 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, respectively. The 2022 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 former Shandong Office of CBIRC on 3 April 2023. The relevant amendments to the Procedural Rules for the Board of Directors, the Procedural Rules for the Board of Supervisors and the Procedural Rules for the General Meeting have been considered and approved by the Shareholders at the 2022 fourth extraordinary general meeting convened on 29 December 2022, and were effective from the same day of the approval of the 2022 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 Provisional Measures of 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 former Shandong Office of CBIRC (the “**2023 First Amendments to the Articles of Association**”). The 2023 First 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 Financial Regulatory Administration on 11 August 2023. In view of the 2023 First Amendments to the Articles of Association, the Board of Directors also proposed to make corresponding amendments to the Procedural Rules for the Board of Directors. The relevant 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 2023 First Amendments to the Articles of Association were approved.

On 17 February 2023, the State Council of the People’s Republic of China (the “**State Council**”) promulgated the Decision of the State Council to Repeal Certain Administrative Regulations and Documents (《國務院關於廢止部分行政法規和文件的決定》) (the “**Decision**”), which includes repealing the Special Regulations of the State Council Concerning the Overseas Offering and Listing of Shares by Limited Stock Companies (《國務院關於股份有限公司境外募集股份及上市的特別規定》) issued by the State Council on 4 August 1994. On the same day, the CSRC published the Interim Measures for the Administration of Overseas Securities Offering and Listing by Domestic Enterprises (《境內企業境外發行證券和上市管理試行辦法》) (the “**Interim Measures**”) and related guidelines, which include the repeal of the Notice on the Implementation of the Mandatory Provisions for the Articles of Association of Companies to be Listed Overseas (《關於執行〈到境外上市公司章程必備條款〉的通知》). The Decision and the Interim Measures became effective on 31 March 2023 (the “**PRC Regulatory Changes**”). As at the effective date of the Decision and the Interim Measures, a PRC issuer is required to formulate its articles of association with reference to the Guidelines for Articles of Association of Listed Companies (《上市公司章程指引》) instead of the Mandatory Provisions for Articles of Association of Companies to be Listed Overseas (《到境外上市公司章程必備條款》) (the “**Mandatory Provisions**”). In light of the above PRC Regulatory Changes, the Hong Kong Stock Exchange has also proposed certain amendments to the Listing Rules, including, among others, removing the class meeting requirement and other relevant requirements in relation to the issue and repurchase of shares by a PRC issuer and removing the requirement that the articles of association of a PRC issuer must contain the Mandatory Provisions and other ancillary provisions. The amendments became effective on 1 August 2023.

# SIGNIFICANT EVENTS

Pursuant to the PRC Regulatory Changes, Domestic shares and H shares are the same class of ordinary shares under PRC law, and the holders of Domestic shares and H shares are no longer regarded as different classes of shareholders, so the substantive rights incidental to these two shares, including the rights as to voting, dividends and distribution of assets on liquidation, are the same. According to the consultation paper on Rule Amendments Following Mainland China Regulation Updates and Other Proposed Rule Amendments Relating to PRC Issuers issued by the Hong Kong Stock Exchange on 24 February 2023, the removal of the class meeting provisions will not prejudice the protection of H shareholders, and the removal of the class meeting provisions is consistent with the existing arrangements of the existing non-PRC issuers with dual listing on both the PRC stock exchange and the Hong Kong Stock Exchange. There is no requirement under the PRC regulations (and the Listing Rules) that shares listed on different stock exchanges shall be regarded as different classes of shares. Therefore, the Company decided to make preliminary amendments to the Articles of Association in accordance with the PRC Regulatory Changes, and to remove the requirements in relation to class shareholders and convening class meetings.

In addition, pursuant to the consultation conclusion on the Proposals to Expand the Paperless Listing Regime and Other Rule Amendments published by the Hong Kong Stock Exchange in June 2023, the amendments to the Listing Rules took effect on 31 December 2023, such that, among other things, subject to compliance with all applicable laws and rules, a listed issuer must (i) send or otherwise make available the relevant corporate communications (as defined in the Listing Rules) to the relevant holders of its securities by electronic means, or (ii) make available the relevant corporate communications on its own website and the website of the Hong Kong Stock Exchange. The listed issuer is required to make any necessary changes to its constitutional documents in order to comply with such requirements before its first annual general meeting held after 31 December 2023.

In addition to the above amendments, the Board of Directors also proposed to make amendments to the relevant articles of the Articles of Association in respect of the following matters: (i) “trust committee” under the Board of Directors be renamed as “trust and consumer rights protection committee” in accordance with the requirements of the Guiding Opinions of the CBIRC on Strengthening the Construction of the Working System and Mechanism for Consumer Rights Protection of Banking and Insurance Institutions (《中國銀保監會關於銀行保險機構加強消費者權益保護工作體制機制建設的指導意見》) (Yin Bao Jian Fa [2019] No. 38); (ii) further standardise the relevant provisions of the Articles of Association on the Party organisation in accordance with the latest laws and regulations; and (iii) the “CBIRC” in the Articles of Association be changed to “National Financial Regulatory Administration” in accordance with the reform of the regulatory authorities (the “**2023 Second Amendments to the Articles of Association**”). The 2023 Second Amendments to the Articles of Association has been considered and approved by the shareholders at the 2023 second extraordinary general meeting held on 28 November 2023, and were approved by the Shandong Office of the National Financial Regulatory Administration on 26 March 2024. Based on the 2023 Second Amendments to the Articles of Association, the Company also proposed to make corresponding amendments to the Procedural Rules for General Meetings, the Procedural Rules for the Board of Directors and the Procedural Rules for the Board of Supervisors. The amendments to the relevant Procedural Rules for General Meetings, the Procedural Rules for the Board of Directors and the Procedural Rules for the Board of Supervisors were considered and approved by the shareholders at the 2023 second extraordinary general meeting held on 28 November 2023, and were effective from the same day of the approval of the 2023 Second Amendments to the Articles of Association.

Save for the above, during the Reporting Period and up to the date of this annual report, there was no material change in the Articles of Association. A copy of Articles of Association is available on the websites of the Company and Hong Kong Stock Exchange.

# SIGNIFICANT EVENTS

## 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 (Special General Partnership). ShineWing Certified Public Accountants (Special General Partnership) is a certified public accounting firm approved by the Ministry of Finance and 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 held on 14 June 2023, ShineWing Certified Public Accountants (Special General Partnership) 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 (Special General Partnership) has been appointed as the auditor to audit the financial information of the Company for the year ended 31 December 2023 prepared in accordance with CASBE. ShineWing Certified Public Accountants (Special General Partnership) has audited the accompanying financial statements, which was prepared in accordance with CASBE.

## MATERIAL LEGAL PROCEEDINGS AND ARBITRATION

As at 31 December 2023, the Company, being the plaintiff and applicant, was involved in 14 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 RMB3,394.3 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 31 December 2023, the Company, being the defendant, was involved in one pending material litigation case, of which the amount in dispute was more than RMB10 million; the value of the litigation case in which the Company was involved totalled approximately RMB30 million. The case was contractual disputes.

# SIGNIFICANT EVENTS

## MATERIAL DISPOSAL OF ASSETS

The Company entered into an equity transfer agreement with Lucion Group on 25 November 2022 (the “**Equity Transfer Agreement**”), pursuant to which the Company conditionally agreed to sell and Lucion Group 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 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 is 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.

The Company entered into a debt transfer agreement with Weifang Gaoteng Real Estate Development Co., Ltd. (濰坊高騰房地產開發有限公司) (the “**Purchaser**”) on 13 October 2023 (the “**Debt Transfer Agreement**”), pursuant to which the Company conditionally agreed to sell and the Purchaser conditionally agreed to acquire Yuerong No.26 Debt, i.e. the asset of creditor’s rights and its ancillary interests owned in full by the Company as at the benchmark date (i.e. 30 September 2023) pursuant to the debt confirmation contracts and judgement instruments in relation to Yuerong No.26 Trust Scheme at a consideration of RMB99,560,222.22 (the “**Debt Transfer**”).

The Debt Transfer constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. Since one of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Debt Transfer Agreement and the transaction contemplated thereunder exceeds 5% but all are less than 25%, the Debt Transfer constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules, and is subject to the reporting and announcement requirements but is exempt from the circular and shareholders’ approval requirements under the Listing Rules.

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

# SIGNIFICANT EVENTS

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

On 19 June 2023, the Shandong Office of the National Financial Regulatory Administration issued the “Administrative Penalty Decision” (Lu Yin Bao Jian Fa Jue Zi [2023] No. 84) to the Company and imposed a fine of RMB400,000 for violating prudent business rules and failing to effectively implement regulatory requirements on individual projects. The Company has paid the above fine.

Save as disclosed above, during the Reporting Period, the Company and its Directors, Supervisors and senior management have not been imposed any penalties.

## **PROVISIONAL REPORT ON MATERIAL ISSUES**

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

## **IMPORTANT INFORMATION WHICH THE NFRA AND ITS PROVINCIAL OFFICES CONSIDERED NECESSARY TO INFORM CLIENTS AND STAKEHOLDERS**

Save as disclosed in this annual report, for the year ended 31 December 2023, the Company did not have other important information which the NFRA and its provincial authorities considered necessary to inform clients and stakeholders.

## **RECTIFICATION OPINION ISSUED BY THE NFRA AND ITS LOCAL OFFICES UPON INSPECTION OF THE COMPANY**

In January, April, July and October 2023, the Shandong Office of the National Financial Regulatory Administration conducted quarterly on-site inspections of the Company’s business, and the Company actively cooperated with the Shandong Office of the National Financial Regulatory Administration to complete the inspection work.

In 2023, the Company received a total of seven regulatory opinions documents issued by the Shandong Office of the National Financial Regulatory Administration, concerning risk management, product introduction and other aspects. The Company actively carried out rectification work in accordance with regulatory requirements, and relevant reports or rectification plans have been submitted to the Shandong Office of the National Financial Regulatory Administration in a timely manner.

## **EVENTS AFTER THE REPORTING PERIOD**

Save as disclosed in this annual report, the Company had no material matters subsequent to the Reporting Period.



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# 3

## *Corporate Governance*

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# CHANGES IN SHARE CAPITAL AND SHAREHOLDINGS OF SUBSTANTIAL SHAREHOLDERS

## CHANGES IN SHARE

Category of shares	31 December 2022		Increase or decrease during the Reporting Period	31 December 2023	
	Number of shares	Percentage (%)		Number of shares	Percentage (%)
Domestic Shares	3,494,115,000	75	–	3,494,115,000	75
H Shares	1,164,735,000	25	–	1,164,735,000	25
<b>Total</b>	<b>4,658,850,000</b>	<b>100</b>	<b>–</b>	<b>4,658,850,000</b>	<b>100</b>

# CHANGES IN SHARE CAPITAL AND SHAREHOLDINGS OF SUBSTANTIAL SHAREHOLDERS

## NUMBER OF SHAREHOLDERS AND SHAREHOLDINGS

As at 31 December 2023, according to the registers of members of the Company, the Company had 54 holders of H Shares (provided by H Share Registrar) and six holders of Domestic Shares in total.

As at 31 December 2023, the shareholding of top ten Shareholders of the Company is set out as follows (shareholding of H Shares are calculated based on the number of shares stated in the register of members of the Company established in the H Share Registrar):

Number	Name of Shareholder(s)	Increase or decrease during the Reporting Period (+/-) <sup>(2)</sup>	Number of shareholding as at the end of the Reporting Period	Shareholding ratio as at the end of the Reporting Period (%)	Number of shares held subject to trading moratorium at the end of the Reporting Period <sup>(1)</sup>	Nature of Shareholder(s)	Type of shares
1	Shandong Luxin Investment Holdings Group Co., Ltd.	-	2,242,202,580	48.13	-	Domestic state – owned legal person	Domestic Shares
2	HKSCC Nominees Limited <sup>(2)</sup>	+1,800	911,740,650	19.57	-	Overseas legal person	H Shares
3	CNPC Assets Management Co., Ltd.	-	873,528,750	18.75	-	Domestic state – owned legal person	Domestic Shares
4	Jinan Finance Investment Holding Group Co., Ltd. (濟南金投控股集團有限公司)	-	252,765,000	5.43	-	Domestic state – owned legal person	H Shares
5	Shandong High-Tech Venture Capital Co., Ltd. (山東省高新技術創業投資有限公司)	-	225,000,000	4.83	-	Domestic state – owned legal person	Domestic Shares
6	Shandong Gold Group Co., Ltd. (山東黃金集團有限公司)	-	80,073,468	1.72	-	Domestic state – owned legal person	Domestic Shares
7	Weifang Investment Group Co., Ltd. (濰坊市投資集團有限公司)	-	60,055,101	1.29	-	Domestic state – owned legal person	Domestic Shares
8	Jinan Energy Investment Co., Ltd. (濟南市能源投資有限責任公司)	-	13,255,101	0.28	-	Domestic state – owned legal person	Domestic Shares
9	Individual Shareholder	-	27,000	0.00	-	Overseas individual	H Shares
10	Individual Shareholder	-	18,000	0.00	-	Overseas individual	H Shares

Notes:

- (1) "Shares subject to trading moratorium" means shares subject to transfer limitations as required by laws and regulations or based on undertaking by holders of such shares.
- (2) HKSCC Nominees Limited, as an agent, held the total number of H Shares (excluding the H Shares held by Jinan Finance Investment Holding Group Co., Ltd. ("**Jinan Finance Holding**") stated in the above table).

Among the abovementioned Shareholders, the Company is not aware of connected relationship or parties acting in concert between the abovementioned Shareholders save that Shandong High-Tech Venture Capital Co., Ltd. ("**Shandong High-Tech**") is an indirect non-wholly owned subsidiary of Lucion Group.

# CHANGES IN SHARE CAPITAL AND SHAREHOLDINGS OF SUBSTANTIAL SHAREHOLDERS

## INTERESTS OF SUBSTANTIAL SHAREHOLDERS AND OTHERS

As at 31 December 2023, the Company has been notified by the following persons in relation to their interests or short positions in the shares and underlying shares of the Company which are discloseable pursuant to Divisions 2 and 3 of Part XV of the SFO, and such interests or short positions recorded in the register required to be kept under section 336 of the SFO are as follows:

Name of Shareholder	Class of shares	Nature of interests <sup>(1)</sup>	Number of underlying shares held <sup>(2)</sup>	Approximate percentage of the class of underlying shares <sup>(2)</sup>	Approximate percentage of total share capital <sup>(2)</sup>
Shandong High-Tech Venture Capital Co., Ltd. <sup>(3)</sup>	Domestic Shares	Beneficial owner	125,000,000	6.44%	4.83%
Lucion Venture Capital Group Co., Ltd. <sup>(3)</sup>	Domestic Shares	Interest in a controlled corporation	125,000,000	6.44%	4.83%
Shandong Lucion Investment Holdings Group Co., Ltd. <sup>(3)</sup>	Domestic Shares	Beneficial owner	2,242,202,580	64.17%	48.13%
	Domestic Shares	Interest in a controlled corporation	225,000,000	6.44%	4.83%
Shandong Provincial Department of Finance <sup>(4)</sup>	Domestic Shares	Interest in a controlled corporation	2,467,202,580	70.61%	52.96%
CNPC Assets Management Co., Ltd. <sup>(5)</sup>	Domestic Shares	Beneficial owner	485,293,750	25.00%	18.75%
CNPC Capital Company Limited <sup>(5)</sup>	Domestic Shares	Interest in a controlled corporation	485,293,750	25.00%	18.75%
CNPC Capital Joint Stock Company with Limited Liability <sup>(5)</sup>	Domestic Shares	Interest in a controlled corporation	485,293,750	25.00%	18.75%
China National Petroleum Corporation <sup>(5)</sup>	Domestic Shares	Interest in a controlled corporation	485,293,750	25.00%	18.75%
State-owned Assets Supervision and Administration Commission of Jinan Municipal People's Government <sup>(6)</sup>	H Shares	Interest in a controlled corporation	252,765,000	21.70%	5.43%
Jinan Finance Holding Group Co., Ltd. <sup>(6)</sup>	H Shares	Beneficial owner	252,765,000	21.70%	5.43%
Qingdao Global Wealth Center Development and Construction Co., Ltd. <sup>(7)</sup>	H Shares	Beneficial owner	232,920,000	19.99%	4.99%
Qingdao Laoshan District Finance Bureau <sup>(7)</sup>	H Shares	Interest in a controlled corporation	232,920,000	19.99%	4.99%
China Create Capital Limited	H Shares	Beneficial owner	64,737,000	10.00%	2.50%
Chang Xin Asset Management Co., Ltd. <sup>(8)</sup>	H Shares	Trustee	113,263,200	9.72%	2.43%
Shandong Development & Investment Holding Group Co., Ltd.	H Shares	Beneficial owner	51,272,000	7.92%	1.98%
HWABAO TRUST CO., LTD	H Shares	Trustee	35,974,000	5.59%	1.39%

# CHANGES IN SHARE CAPITAL AND SHAREHOLDINGS OF SUBSTANTIAL SHAREHOLDERS

## Notes:

- (1) All of the interests refer to long positions.
- (2) The Company completed the issue of new shares by way of the transfer of capital reserve to share capital in January 2019. Since the change in number of shares arising from the capitalisation issue did not constitute reporting obligation pursuant to the SFO, the number of shares held by certain Shareholders as disclosed in the forms of disclosure of interests does not reflect the impact of the capitalisation issue.
- (3) Shandong High-Tech is a direct wholly-owned subsidiary of Lucion Venture Capital Group Co., Ltd. ("**Lucion Venture Capital**"). Lucion Venture Capital is a non-wholly owned subsidiary owned as to 69.57% by Lucion Group and therefore is deemed to be interested in all of the shares of the Company held by Shandong High-Tech, and Lucion Group is deemed to be interested in all of the shares of the Company held indirectly by Lucion Venture Capital.
- (4) Lucion Group is owned as to 90.75% by Shandong Provincial Finance Bureau and as to 9.25% by Shandong Caixin Assets Operation Co., Ltd. ("**Shandong Caixin**"), and Shandong Caixin is wholly-owned by the Shandong Provincial Finance Bureau. Shandong Provincial Finance Bureau is therefore deemed to be interested in all of the shares of the Company directly and indirectly held by Lucion Group.
- (5) CNPC Assets Management is a direct wholly-owned subsidiary of CNPC Capital Company Limited ("**CNPC Capital**") and CNPC Capital is wholly-owned by CNPC Capital Joint Stock Company with Limited Liability ("**CNPC Capital Joint Stock**"). CNPC Capital Joint Stock, which is an A share listed company, is held as to 77.35% by CNPC. Each of CNPC Capital, CNPC Capital Joint Stock and CNPC are therefore deemed to be interested in all of the shares of the Company held by CNPC Assets Management.
- (6) To the knowledge of the Company, Jinan Finance Holding has been renamed as Jinan Finance Investment Holding Group Co., Ltd., and it has been indirectly held by Jinan Finance Bureau since 14 February 2022. The number of shares reflected their interests as at the end of the Reporting Period. Since the changes in their interests did not constitute reporting obligation pursuant to the SFO, the updated numbers of shares were not reflected in their forms for disclosure of interest.
- (7) To the knowledge of the Company, Qingdao Global Wealth Center Development and Construction Co., Ltd. , which has been renamed as Qingdao Jinjialing Holding Group Co., Ltd., is wholly owned by Qingdao Laoshan District Finance Bureau and Qingdao Laoshan District Finance Bureau is therefore deemed to be interested in all of the shares of the Company held by Qingdao Global Wealth Center Development and Construction Co., Ltd.
- (8) Chang Xin Asset Management Co., Ltd. holds the equity of the Company's shares as a trustee of the trust for the Chang Xin Fund – Dongfang No. 1 Single Asset Management Plan.

## DETAILS OF SUBSTANTIAL SHAREHOLDERS DISCLOSURE REQUIRED BY NFRA

For information on substantial Shareholders disclosed as required by the NFRA, please refer to "Disclosure of Information on Substantial Shareholders Required by NFRA" of the section headed "Additional Information Disclosure Required by Regulators" in this annual report.

# DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

### Directors

Name	Age	Gender	Date of joining/ rejoining our Company	Position	Tenure	Roles and responsibilities	Name of Shareholders nominated
Yue Zengguang (岳增光)	50	Male	From September 2008 to March 2016, May 2018 to May 2021, and rejoined in October 2023	Chairperson of the Board of Directors and Executive Director	From 10 January 2024 to the expiry of the term of office of the current session of the Board of Directors	Overall management of the Company's business strategies, corporate governance and operations	Lucion Group
Wang Zengye (王增業)	53	Male	November 2021	Vice chairperson of the Board of Directors and non-executive Director	From 15 November 2021 to the expiry of the term of office of the current session of the Board of Directors	Providing strategic advice and making recommendations on the operations and management of the Company, and assisting the chairperson in the Board of Directors affairs	CNPC Assets Management
Fang Hao (方灝)	49	Male	March 2021	Executive Director and General Manager	From 29 June 2021 to the expiry of the term of office of the current session of the Board of Directors	Overall daily management and operations of the Company	N/A
Zhao Zikun (趙子坤)	49	Male	October 2021	Non-executive Director	From 15 October 2021 to the expiry of the term of office of the current session of the Board of Directors	Providing strategic advice and making recommendations on the operations and management of the Company	Lucion Group
Wang Bailing (王百靈)	45	Female	March 2020	Non-executive Director	From 29 June 2021 to the expiry of the term of office of the current session of the Board of Directors	Providing strategic advice and making recommendations on the operations and management of the Company	Jinan Finance Holding
Zhang Haiyan (張海燕)	62	Female	April 2023	Independent non-executive Director	From 13 April 2023 to the expiry of the term of office of the current session of the Board of Directors	Providing independent advice on the operations and management of the Company	N/A
Zheng Wei (鄭偉)	50	Male	August 2022	Independent non-executive Director	From 5 August 2022 to the expiry of the term of office of the current session of the Board of Directors	Providing independent advice on the operations and management of the Company	N/A
Liu Wanwen (劉皖文)	54	Female	December 2023	Independent non-executive Director	From 26 December 2023 to the expiry of the term of office of the current session of the Board of Directors	Providing independent advice on the operations and management of the Company	N/A

# DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

## Biography of Executive Directors



### **Yue Zengguang (岳增光) Chairperson of the Board of Directors, Executive Director**

Mr. Yue Zengguang, the secretary to the Party Committee, Chairperson of the Board of Directors and executive Director of the Company. He has over 10 years of experience in the trust industry. From January 2004 to August 2008, Mr. Yue successively served in Shandong Luxin Industry Group Company (山東魯信實業集團公司) and Lucion Group, primarily handling financial matters of these companies. From September 2008 to March 2016, he successively served as the general manager of planning and finance department, the assistant to the company general manager, the general manager of risk control department and the chief risk management officer and the secretary of the disciplinary committee of the Company. From March 2016 to November 2018, he served as the director (department head) of the office of disciplinary committee (supervision and audit department) of Lucion Group; since December 2016, he has been serving as an employee representative supervisor of Lucion Group; from May 2018 to December 2020, he served as the deputy secretary to the Party Committee; from August 2018 to May 2021, he served as the executive director of the Company; from September 2018 to March 2021, he served as the general manager of the Company. He served as minister of the organisation department (human resources department) of the Party Committee of Lucion Group from March 2021 to November 2023. Mr. Yue has been serving as the secretary to the Party Committee of the Company since October 2023. Mr. Yue was accredited as a senior accountant by the Senior Review Commission of Professional Title in Accounting in Shandong Province (山東省會計專業資格高級評審委員會) and possesses the qualification of PRC certified accountant. Mr. Yue graduated from Shandong Economics College (山東經濟學院, now known as Shandong University of Finance and Economics (山東財經大學)), majoring in accounting, and obtained a master's degree, majoring in business administration, in Tianjin University (天津大學).



### **Fang Hao (方灝) Executive Director**

Mr. Fang Hao (方灝), the executive Director and general manager of the Company. Mr. Fang has over 26 years of experience in trust industry. From July 1997 to June 2007, Mr. Fang held various positions in Jiangxi International Trust Co., Ltd. (江西國際信託股份有限公司), including the senior manager of the investment banking department and the head of the risk management department. From December 2009 to July 2010, Mr. Fang served as the general manager of risk management department at National Trust Co., Ltd. (國民信託有限公司). From July 2010 to September 2010, he, as a representative of The Bank of East Asia, Limited (東亞銀行有限公司), being a shareholder of Founder BEA Trust Co., Ltd. (方正東亞信託有限責任公司, currently known as Guotong Trust Co., Ltd. (國通信託有限責任公司)), participated in its re-registration and other preparatory work. In September 2010, he joined Founder East Asia Trust Co., Ltd. (方正東亞信託有限責任公司) and served as the chief risk officer from May 2011 to March 2018. From March 2018 to November 2020, Mr. Fang served as an executive vice president of Changan International Trust Co., Ltd. (長安國際信託股份有限公司), during which he had served as the company's acting president. Mr. Fang graduated from Jiangxi University of Finance and Economics (江西財經大學) with a bachelor's degree in international finance in July 1997, and obtained a master's degree in economics from Jiangxi University of Finance and Economics in June 2006. In July 2010, he obtained a Ph.D. degree in economics from Renmin University of China (中國人民大學).

# DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

## Biography of Non-executive Directors



**Wang Zengye (王增業)**

**Vice Chairperson of the Board of Directors, Non-executive Director**

Mr. Wang Zengye (王增業), a non-executive Director of the Company. Mr. Wang has over 30 years of experience in economic management. From August 1993 to October 1996, he successively served as a trader and the head of Futures Department of China National Cereals, Oils & Foodstuffs Import and Export Corporation (中國糧油食品進出口總公司) in Shanghai, and the general manager of Tianjin Futures Department. From October 1996 to January 2000, he served as the general manager of the Tianjin business department of the COFCO Futures Co., Ltd. (中糧期貨經紀有限公司), the marketing director of the Shanghai securities branch of the Jinghua Trust Company (京華信託公司) during 2000, the deputy general manager of the business department and the deputy general manager of the brokerage business department of Tianjin Bohai Securities Co., Ltd. (天津渤海證券有限責任公司), from April 2001 to January 2003. From July 2003 to September 2004, he served as the head of the capital operation department of PetroChina Company Limited (中國石油天然氣股份有限公司), and from September 2004 to October 2005, he served as the secretary of the general office of CNPC. From October 2005 to November 2010, he successively served as the deputy director (responsible person) and the head of research institute of finance and accounting research department of China Petroleum Finance, the assistant to general manager, the deputy general manager, the general manager, the committee member of Party Committee, the deputy secretary of the Party Committee and the chairman of labour union of China Petroleum Finance from November 2010 to October 2020, and has served as the secretary to the Party Committee and an executive director of CNPC Asset Management, and the secretary to the Party Committee of Kunlun Trust from October 2020 to September 2022. He has served as the supervisor of CNPC Capital Joint Stock since February 2021 and the chairman of Kunlun Trust from June 2021 to December 2022. He has served as the chief economist of CNPC Capital Joint Stock since October 2023. Mr. Wang graduated from Nankai University with a doctoral degree in Economics, majoring in International Economics, and was awarded the title of Senior Economist by CNPC.



**Zhao Zikun (趙子坤) Non-executive Director**

Mr. Zhao Zikun (趙子坤), a non-executive Director of the Company. Mr. Zhao has more than 27 years of experience in financial management. He joined Lucion Group in January 2004 and successively served as the business manager, the deputy minister and the minister of finance department of Lucion Group from April 2004 to March 2016. He served as the general manager of Lucion Industrial from March 2016 to December 2017, the chairman of the company from December 2017 to October 2020. From October 2020 to June 2023, he served as the chief financial officer (CFO) of Lucion Group, and concurrently served as the head of financial management department of Lucion Group from October 2020 to January 2022. He has served as a director of Shandong AMC since July 2021, and the secretary of party committee and the chairman of the company since May 2023. He has served as a director of Shandong Provincial Credit Investment Co., Ltd. (山東省信用增進投資股份有限公司) since December 2022. Since May 2023, he has served as a standing member of the party committee and the deputy general manager of Lucion Group. Mr. Zhao was awarded the Senior Accountant by the Shandong Provincial Professional Qualification Assessment Committee and obtained a doctoral degree in management from Changsha University of Science and Technology (長沙理工大學).

# DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT



**Wang Bailing (王百靈) Non-executive Director**

Ms. Wang Bailing (王百靈), a non-executive Director of the Company. Ms. Wang currently serves as the head of post-investment management department of Jinan Finance Holding, and the chairperson of the board of supervisors of Jinan Finance Holding. Ms. Wang has held positions in Jinan Finance Holding since September 2017. From January 2018 to November 2018, she served as the deputy head of financial management department, the general manager of Jinan Cultural Industry Investment Co., Ltd. (濟南文化產業投資有限公司), the chairman and general manager of Jinan Financial Holding Mortgage Co., Limited (濟南金融創業投資有限公司), and the general manager of Jinan Financial Holding Mortgage Co., Limited (濟南金融典當有限公司). Since November 2018, she has served as the head of asset management department, the chairman of Jianghai Huixin Futures Co., Ltd. (江海匯鑫期貨有限公司), the president of Quancheng International Finance Holding Co., Ltd. (全程國際金融控股有限公司), the chairperson of Quancheng Equity Investment Fund Co., Ltd. (全程股權投資基金有限公司), the director of Jinan Finance International Financial Leasing Co., Ltd. (濟南金融國際融資租賃有限公司), and the director of Lucion Science and Technology Co., Ltd. (魯信科技股份有限公司), etc. From August 2002 to August 2017, Ms. Wang successively served as an auctioneer and assistant to the general manager of Shandong Saide Auction Co., Ltd. (山東賽得拍賣有限公司), mainly responsible for due diligence of non-performing assets and their disposal; an editorial journalist of the "Qilu Yicai Financial News"《(齊魯第一財經)》; the general manager of the legal department of National Agricultural Lease Co., Ltd. (國農租賃有限公司); and the secretary to the office of the board of directors of Shandong Huizhong New Finance Development Co., Ltd. (山東惠眾新金融發展股份有限公司). Ms. Wang obtained a master's degree in law from Yantai University.

## Biography of Independent Non-executive Directors



**Zheng Wei (鄭偉) Independent Non-executive Director**

Mr. Zheng Wei (鄭偉), an independent non-executive Director of the Company. Mr. Zheng is currently a professor at Shandong University of Finance and Economics (山東財經大學) (formerly known as Shandong Economic University (山東經濟學院)). Mr. Zheng has been engaged in teaching at Shandong University of Finance and Economics since 1995, and successively served as the teaching assistant, lecturer, associate professor, professor and head of the department of finance and accounting. Mr. Zheng mainly lectured courses including financial accounting, accounting theory, advanced accounting, tax accounting and tax planning for undergraduates and postgraduates. From 2009 to 2010, he participated in the formulation, translation and research of accounting standards at the accounting department of the MOF. Mr. Zheng is currently a member of Advisory Specialist Group of the MOF. Mr. Zheng's research interests include theory and practice of accounting and auditing, and his research results are mainly reflected in basic accounting theory, financial instrument accounting, information disclosure, accounting standards and supervision, internal control and internal auditing. From 2015 to 2021, Mr. Zheng served as an independent director and the chairman of the audit committee of Zhongtai Securities Co., Ltd. (Shanghai Stock Exchange listed company, stock code: 600918). Since August 2022, Mr. Zheng has served as an independent director of Jinan Hi-Tech Development Co., Ltd. (Shanghai Stock Exchange listed company, stock code: 600807). Mr. Zheng graduated from Shandong University of Finance and Economics in 1995 with a bachelor's degree in economics and a major in auditing; he obtained a master's degree and a doctoral degree in management (accounting) from Tianjin University of Finance and Economics (天津財經大學) in 2001 and 2006, respectively. In 2010, Mr. Zheng completed his postdoctoral research at the Research Institute for Fiscal Science of China (中國財政科學研究院).

# DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT



**Zhang Haiyan (張海燕) Independent Non-executive Director**

Ms. Zhang Haiyan (張海燕), non-executive Director of the Company. She has over 40 years of experience in the banking industry. From December 1979 to July 1996, Ms. Zhang served various positions at the People's Bank of Licheng District, Jinan, Shandong Province, including deputy chief and chief of planning and research section. From July 1996 to February 2007, she worked at the former Jinan Commercial Bank Co., Ltd. (currently known as Qilu Bank Co., Ltd., a company listed on the Shanghai Stock Exchange (stock code: 601665)) and successively served as deputy director, director and general manager of audit department. From February 2007 to February 2020, she worked at Qilu Bank Co., Ltd. and served as general manager of internal control department and chief audit officer. She also served as its employee supervisor from July 1999 to February 2020. From September 2014 to February 2020, she concurrently served as chairperson of Zhangqiu Qilu Village Bank Co., Ltd. Ms. Zhang obtained an executive master's degree in business administration from Zhongnan University of Economics and Law and was accredited as a senior economist by the Economics Professional Accreditation Senior Appraisal Committee of Shandong Province.



**Liu Wanwen (劉皖文) Independent Non-executive Director**

Ms. Liu Wanwen, independent non-executive Director of the Company. She has over 27 years of experience in the banking and asset management sectors. From May 1996 to December 2006, she successively worked in the business department of Shenzhen branch of Sanwa Bank (currently known as MUFG Bank), Shenzhen branch of American International Assurance Co., Ltd., Guangzhou branch of China Minsheng Bank, Guangzhou branch of Industrial Bank and Shenzhen branch of KBC Bank, etc. From December 2006 to December 2011, she worked at the Shenzhen branch of Standard Chartered Bank (China) Co., Ltd., where she successively served as the head of the multinational enterprise department and a member of the management committee, the vice president of the Shenzhen branch and the head of private bank division of the South China region. From December 2011 to November 2014, she served as a director and head of the Chinese local large enterprises department at the Shanghai branch of Standard Chartered Bank (China). Since November 2014, she has been the managing director of the private wealth management department of UOB Kay Hian (Hong Kong) Limited. Ms. Liu obtained a bachelor's degree in arts from Anhui University.

# DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

## Supervisors

Name	Age	Gender	Date of joining/ rejoining our Company	Position	Tenure	Roles and responsibilities	Name of Shareholders nominated
Guo Shougui (郭守貴)	59	Male	July 2018	Chairperson of the Board of Supervisors	From 29 June 2021 to the expiry of the term of office of the current session of the Board of Supervisors	Supervising the performance of duties by the Directors and senior management	Shandong High-Tech
He Shuguang (何曙光)	37	Male	June 2023	Supervisor	From 14 June 2023 to the expiry of the term of office of the current session of the Board of Supervisors	Supervising the performance of duties by the Directors and senior management	Lucion Group
Chen Yong (陳勇)	50	Male	September 2014	Supervisor	From 29 June 2021 to the expiry of the term of office of the current session of the Board of Supervisors	Supervising the performance of duties by the Directors and senior management	CNPC Assets Management
Wu Chen (吳晨)	49	Male	May 2015	Supervisor	From 29 June 2021 to the expiry of the term of office of the current session of the Board of Supervisors	Supervising the performance of duties by the Directors and senior management	Shandong Gold Group Co., Ltd
Wang Zhimei (王志梅)	44	Female	July 2018	Supervisor	From 29 June 2021 to the expiry of the term of office of the current session of the Board of Supervisors	Supervising the performance of duties by the Directors and senior management	Weifang Investment Group Co., Ltd.
Wang Yan (王艷)	52	Female	October 2021	Supervisor	From 14 October 2021 to the expiry of the term of office of the current session of the Board of Supervisors	Supervising the performance of duties by the Directors and senior management	Qingdao Jinjialing Holdings Group Co. Ltd
Li Yan (李燕)	51	Female	December 2002	Supervisor	From 7 January 2022 to the expiry of the term of office of the current session of the Board of Supervisors	Supervising the performance of duties by the Directors and senior management	N/A
Zhang Wenbin (張文彬)	38	Male	September 2019	Supervisor	From 29 June 2021 to the expiry of the term of office of the current session of the Board of Supervisors	Supervising the performance of duties by the Directors and senior management	N/A
Wei Xiangyang (魏向陽)	41	Male	September 2015	Supervisor	From 3 August 2022 to the expiry of the term of office of the current session of the Board of Supervisors	Supervising the performance of duties by the Directors and senior management	N/A

# DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

## Biography of Supervisors



### **Guo Shougui (郭守貴) Chairperson of the Board of Supervisors**

Mr. Guo Shougui (郭守貴), a shareholder representative Supervisor of the Company and chairperson of the Board of Supervisors. He has served as chairperson of the board of supervisors of a subsidiary of Lucion Group since December 2017. He concurrently serves as the chairperson of the board of supervisors of Shandong Lucion Huijin Holding Company Limited and the supervisor of Minsheng Securities Co., Ltd.. From July 1986 to March 1991, Mr. Guo served as a teaching assistant in the accounting department of Shandong Economics College; from March 1991 to June 2015, Mr. Guo successively served as the deputy director and director of the General Division of Shandong Economic and Trade Commission, the deputy director and Party Committee member of Rizhao City Economic and Trade Commission, the deputy head of Transportation Division of Shandong Economic and Trade Commission, person in charge and deputy head of Shandong SASAC Statistical Evaluation and Performance Review Division, a researcher-level supervisor of Shandong Province-ran Enterprises Supervisory Board, the supervisor of Yankuang Group Company Limited (兗礦集團有限公司), the supervisor of Shandong Business Group Company Limited (山東省商業集團有限公司) and the supervisor of Shandong Energy Group Company Limited (山東能源集團有限公司). He served as the Party Committee member and a secretary of the commission for discipline inspection of Shandong Petroleum and Natural Gas Development Corporation (Shandong Oil and Gas Company Limited) from June 2015 to December 2017. Mr. Guo was accredited as a senior economist by Senior Review Committee of Economics Professional Position in Shandong province and was certified as a Certified Senior Enterprise Risk Manager (CSERM) by the Asia Association of Risk and Crisis Management (亞洲風險與危險管理協會). Mr. Guo obtained a bachelor's degree in accounting from Shandong Economics College (山東經濟學院, now known as Shandong University of Finance and Economics (山東財經大學)) and a master's degree in business administration from Shandong University in the PRC (中國山東大學) in December 2013.



### **He Shuguang (何曙光) Supervisor**

Mr. He Shuguang (何曙光), a shareholder representative Supervisor of the Company. He has nearly 13 years of experience in banking and risk management. He has served as the deputy department chief of the risk and compliance department (legal affairs) at Shandong Lucion Investment Holdings Group Co. Ltd. (山東省魯信投資控股集團有限公司) since December 2020. From July 2011 to December 2020, Mr. He served various positions in China Construction Bank, including savings officer and business clerk of Mingyuan Office of Jinan Shizhong Sub-branch; business clerk of the corporate client department, the corporate business department and account manager of the corporate business department (corporate and institutional businesses) of Jinan Shizhong Sub-branch; account manager and risk manager of the risk and compliance management division of the investment banking business department of Shandong Branch. He has concurrently served as a supervisor of Shandong Investment Company Limited (山東省投資有限公司) since April 2023. Since May 2023, he has concurrently served as a supervisor of Luxin Venture Capital Group Co., Ltd. (魯信創業投資集團股份有限公司). Since June 2023, he has concurrently served as a supervisor of Shandong Cultural Tourism Group Venture Capital Co., Ltd. (山東文旅集團創業投資有限公司). Since December 2023, he has concurrently served as a supervisor of First-Trust Fund Management Co., Ltd. (泰信基金管理有限公司). Mr. He obtained a bachelor's degree in economics from Shandong University (山東大學).

# DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT



**Chen Yong (陳勇) Supervisor**

Mr. Chen Yong (陳勇), a shareholder representative Supervisor of the Company. He has over 24 years of experience in the financial industry. Prior to joining our Company, Mr. Chen served in different departments in China National Petroleum Xinjiang Sales Company (中國石油新疆銷售公司), including the general office and the finance and audit department of the company. He then served as the deputy division chief of the finance division and the division chief of the corporate management division of China National Petroleum Xinjiang Sales Company. He has been serving as the general manager of the equity investment department of Kunlun Trust since September 2010, the head of equity investment business department of Kunlun Trust since May 2022, and the division chief of CNPC Assets Management from February 2011 to December 2023, in which he is primarily responsible for the day-to-day management of the equity investment affairs of the companies. Mr. Chen was accredited as a senior accountant by CNPC. He graduated from Xinjiang University (中國新疆大學) in the PRC with a bachelor's degree in computer application and obtained a master's degree in business administration from Xinjiang University of Finance and Economics (中國新疆財經大學) in the PRC.



**Wu Chen (吳晨) Supervisor**

Mr. Wu Chen (吳晨), a shareholder representative Supervisor of the Company. He has over 23 years of experience in the financial industry. Mr. Wu served in the PBOC Jinan Branch, including as its deputy chief clerk. He also served as the section chief, the deputy division chief and the supervisory research analyst in the Shandong Office of CBRC, consecutively. He served as the general manager of Shandong Gold Group Finance Co., Ltd. (planned) (山東黃金集團財務有限公司(籌)) in December 2012, and has been serving as the general manager and the director of Shandong Gold Group Finance Co., Ltd. since July 2013. Mr. Wu was accredited as a senior economist by the Human Resources and Social Security Department of Shandong Province (山東省人力資源和社會保障廳), and was awarded the title of "2018 Shandong Provincial Financial High-end Talent". Mr. Wu graduated from Shandong University in the PRC with a bachelor's degree in international economics. He also obtained a master's degree in political science and economics from Shandong University in the PRC.

# DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT



**Wang Zhimei (王志梅) Supervisor**

Ms. Wang Zhimei (王志梅), a shareholder representative Supervisor of the Company. She has served as the manager of risk management department of Weifang Guowei Huijin Investment Co., Ltd. since June 2019. She has over 17 years of experience in financial and investment industry. From September 2005 to January 2009, she served as a staff of Weifang Wanfeng International Trading Co., Ltd. From January 2009 to October 2016, she served as a staff of business department and risk control department of Weifang Credit Financing Guarantee Co., Ltd. From October 2016 to June 2019, she served as a staff and the head of risk management department of Weifang Guowei Huijin Investment Co., Ltd. Ms. Wang graduated from Shandong University of Technology with a bachelor's degree in international trade. She also obtained a master's degree in international economics and trade from Xiamen University.



**Wang Yan (王艳) Supervisor**

Ms. Wang Yan (王艳), an external Supervisor of the Company. Ms. Wang has over 25 years of experience in the field of accounting. From July 1998 to January 2010, Ms. Wang successively served as the department head and deputy director of Qingdao Qindao C.P.A. Co., Ltd. (青島琴島有限責任會計師事務所). From February 2010 to December 2013, she served as deputy director of Qingdao Branch of RSM China Certified Public Accountants (Special General Partnership). From January 2014 to October 2020, she served as deputy director of Qingdao Branch of Ruihua Certified Public Accountants LLP. Since November 2020, she has served as the deputy director of the Qingdao Branch of Mazars Certified Public Accountants LLP. Ms. Wang obtained a qualification of certified public accountant in 1999, a qualification of senior accountant in 2023 and a master's degree in accounting from Ocean University of China in 2018.



**Li Yan (李燕) Supervisor**

Ms. Li Yan (李燕), an employee representative Supervisor of the Company. Ms. Li Yan has more than 20 years of experience in trust industry, and currently serves as the director of wealth management department of the Company. Ms. Li joined the Company in 2002. From January 1997 to October 2002, she worked in Jinan management headquarters of China Southern Securities Co., Ltd. (南方證券有限公司). From December 2002 to October 2011, she successively worked in several departments of the Company, including investment bank department, trust business custody department, and trust business fourth department. From October 2011 to July 2021, she successively served as the deputy manager and general manager in wealth management centre of the Company. Since July 2021, she has successively served as the head of business department (acting) of wealth management department and the director of wealth management department of the Company. Ms. Li currently serves as the director of Anhui Luxin Investment Co., Ltd. Ms. Li obtained a master's degree in laws from Shandong University.

# DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT



**Zhang Wenbin (張文彬) Supervisor**

Mr. Zhang Wenbin (張文彬), an employee representative Supervisor of the Company. Mr. Zhang is currently the general manager of the human resources department (department of party-masses relationship) of the Company. He has over 15 years of experience in human resources management. He joined the Company in September 2019. From July 2009 to April 2013, he worked at ZTE Corporation (中興通訊股份有限公司) (Hong Kong Stock Exchange listed company, stock code: 00763; and Shenzhen Stock Exchange listed company, stock code: 000063), and worked at human resources centre. From April 2013 to May 2016, he worked at the office of general manager of Qingdao Hisense International Marketing Co., Ltd. (青島海信國際營銷股份有限公司). From May 2016 to September 2019, he served as a senior manager of party committee organisation department (human resources department) at Shandong Lucion Investment Holdings Group Co. Ltd. (山東省魯信投資控股集團有限公司). Mr. Zhang obtained a bachelor's degree in business administration from Shandong University, and a master's degree in corporate management from Peking University.



**Wei Xiangyang (魏向陽) Supervisor**

Mr. Wei Xiangyang (魏向陽), an employee representative Supervisor of the Company. Mr. Wei currently serves as the general manager of the risk control department of the Company, and has over 14 years of experience in the financial and trust industries. Mr. Wei joined the Company in 2015. From July 2009 to September 2015, he worked in Jinan branch of China CITIC Bank Corporation Limited. From September 2015 to January 2018, he served as an employee of the risk control department of the Company. From January 2018 to August 2021, he served as the deputy general manager of the risk control department of the Company. Since August 2021, he has served as the general manager of the risk control department of the Company. Mr. Wei obtained a master's degree in accounting from the School of Management of Xiamen University. Mr. Wei is a certified public accountant in the PRC and an international certified internal auditor. He also holds the Chinese Law Practice Qualification Certificate.

# DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

## Senior management

Name	Age	Gender	Date of joining/ rejoining our Company	Position	Effective date of appointment	Roles and responsibilities
Fang Hao (方灝)	49	Male	March 2021	General Manager	31 March 2021	Day-to-day overall management and operations of the Company
Zhou Jianqu (周建堯)	51	Female	January 1999	Vice General Manager	26 October 2011	Assisting the General Manager with the day-to-day management of the business operations of the Company
He Chuangye (賀創業)	48	Male	October 2015	Vice General Manager, Secretary to the Board of Directors and Company Secretary	7 April 2016	Handling securities affairs and assisting the General Manager with the day-to-day management of the business operations of the Company
Wang Ping (王平)	56	Male	September 2019	Chief Financial Officer	16 September 2019	Finance and accounting and related matters of proprietary business of the Company
Niu Xucheng (牛序成)	48	Male	July 2003	Vice General Manager	13 April 2018	Assisting the General Manager with the day-to-day management of the business operations of the Company
Tian Zhiguo (田志國)	51	Male	May 2005	Chief Risk Officer	29 November 2021	Compliance, risk management of the operations and investment and auditing of the Company
Sun Botao (孫波濤)	45	Male	July 2001	Assistant to General Manager	29 November 2021	Assisting the General Manager with the day-to-day management of the business operations of the Company
Cui Fang (崔方)	39	Male	May 2021	Assistant to General Manager	26 January 2022	Assisting the General Manager with the day-to-day management of the business operations of the Company

# DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

## Biography of Senior Management



**Fang Hao (方灝) General Manager**

Mr. Fang Hao (方灝), the general manager of the Company, is fully responsible for daily operation and management of the Company. For details of his biography, please refer to the section headed "Biography of Executive Directors".



**Zhou Jianqu (周建堯) Vice General Manager**

Ms. Zhou Jianqu (周建堯), the vice general manager of the Company. Ms. Zhou has over 25 years of experience in the financial and trust industries. She joined our Company in January 1999. She served in the securities department and then in the trust investment banking department of our Company, consecutively. She then served as the project manager, the operation manager, the deputy manager and the manager in the fund trust department of our Company. She served as the manager in the fifth division of trust in our Company. Prior to joining our Company, she served in Jinan Kuaixin Industrial Group Company Limited (濟南快信實業集團公司). She also served in Shandong Enterprise Property Right Exchange (山東企業產權交易所). Ms. Zhou was accredited as a senior economist by the Ministry of Human Resources of the PRC. She was granted the practice qualification in securities by Securities Association of China, the practice qualification in funds by Asset Management Association of China and the practice qualification futures by China Futures Association. Ms. Zhou is currently a member of the Finance and Economics Committee of the 19th People's Congress of Lixia District, Jinan (濟南市歷下區第十九屆人民代表大會財政經濟委員會). Ms. Zhou studied in the department of mechanical engineering and obtained a bachelor's degree in engineering from Beijing Light Industry Academy (北京輕工業學院) in the PRC. She obtained a master's degree in business administration from Shandong Economics Academy in the PRC.

# DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT



**He Chuangye (賀創業) Vice General Manager, the Secretary to the Board of Directors and Company Secretary**

Mr. He Chuangye (賀創業), the vice general manager of our Company, the secretary to the Board of Directors and company secretary. He was appointed as the vice general manager and the secretary to the Board of Directors on 7 April 2016 and 27 July 2016, respectively. Mr. He has served as the joint company secretary of the Company since its listing, and as the sole company secretary of the Company since February 2022. Mr. He has over 24 years of experience in the financial industry. Prior to joining our Company, Mr. He served several positions in the financial supervisory institutions in China, including a clerk in the PBOC Jinan Branch. He then successively served in the Shandong Office of CBRC as the clerk, the deputy chief clerk, the chief clerk, the section chief, the deputy director of the general office and the deputy division chief in its Non-banking Financial Institution Regulatory Division (非銀行金融機構監管處). He also served a temporary post as the deputy chief secretary of Yantai City Government. Mr. He was granted the certificate of senior economist by the Ministry of Personnel of the PRC. Mr. He obtained a bachelor's degree in economics from Zhengzhou University in the PRC and a master's degree in finance from the University of Hong Kong.



**Wang Ping (王平) Chief Financial Officer**

Mr. Wang Ping (王平), a member of the Party Committee, the chief financial officer of the Company. Mr. Wang has over 34 years of experience in accounting. He has served as our chief financial officer since September 2019. From July 1992 to April 2001, he served in several subsidiaries of Jinan Oil Refinery, primary responsible for accounting matter. From April 2001 to January 2003, he served as senior business manager of audit department of Lucion Group. From January 2003 to November 2013, he consecutively served as manager of financial department of Lucion Industrial, Shandong Luxin Investment Group Co., Ltd. (山東魯信投資集團股份有限公司), Shandong Lucion Real Estate Investment Development Co., Ltd. (山東魯信房地產投資開發有限公司). From November 2013 to November 2016, he served as chief financial officer of Lucion Venture Capital (Shanghai Stock Exchange listed company, stock code: 600783). From November 2016 to September 2019, he served as chief financial officer of Luxin Capital Management Co., Ltd. (魯信資本管理有限公司). He has been a director of Fullgoal Fund Management Co., Ltd. (富國基金管理有限公司) since October 2020. Mr. Wang was accredited as a senior accountant by the Senior Review Committee of Accounting Professional Qualifications of Shandong Province (山東省會計專業資格高級評審委員會), and qualified as a PRC certified public accountant, certified tax accountant, certified asset appraiser, internal auditor, and securities professional. Mr. Wang graduated from Tianjin University of Finance and Economics with a master's degree in business administration.

# DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT



**Niu Xucheng (牛序成) Vice General Manager**

Mr. Niu Xucheng (牛序成), a deputy general manager of the Company. He has served as the deputy general manager of the Company since April 2018. Mr. Niu has over 21 years of experience in the trust industry. He joined the Company in July 2003, and successively worked for the fund investment department, the loan management department of China Development Bank, fund trust department and the first trust business department. From April 2012 to May 2018, he successively served as the deputy general manager of the trust business division I and the general manager of the trust business division I. Before joining the Company, he served as a member of the Qingdao Jiaozhou Municipal Committee of the Communist Youth League of China. Mr. Niu was appraised as an intermediate economist by the Ministry of Personnel of the People's Republic of China. He received the practice qualification in securities and practice qualification in funds trading issued by the Securities Association of China and the Asset Management Association of China, respectively, and received the practice qualification in futures trading issued by the China Futures Association. He obtained a master's degree in finance from the Shandong Finance College (currently known as Shandong University of Finance and Economics) in 2003.



**Tian Zhiguo (田志國) Chief Risk Officer**

Mr. Tian Zhiguo (田志國), the chief risk officer of the Company. He has over 18 years of experience in the financial and trust industries. He has served as the chief risk management officer of the Company since November 2021. Mr. Tian joined our Company in July 2005 and served successively as the project manager and vice general manager of the fifth division of trust, and the general manager of the fifth division of trust of the trust business department of the Company from October 2014 to December 2021. He served as an employee representative Supervisor of the Company from December 2011 to January 2022. Prior to joining the Company, Mr. Tian worked in the Electronic Economic Trading Center of Shandong Province (山東省電子經濟貿易中心). He graduated from Shandong University in the PRC with a master's degree in law.

# DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT



**Sun Botao (孫波濤) Assistant to General Manager**

Mr. Sun Botao, an assistant to general manager of the Company. Mr. Sun has over 21 years of experience in the trust industry. He joined the Company in July 2001 and worked in various departments such as investment management department, fund investment department, fund loan department and infrastructure fund management department. From March 2012 to December 2021, he successively served as the deputy general manager and the general manager of the trust business division II of the Company. Mr. Sun graduated from Nankai University in the PRC with a master's degree.



**Cui Fang (崔方) Assistant to General Manager**

Mr. Cui Fang, an assistant to the general manager of the Company. Mr. Cui has over 10 years of experience in the financial and trust industries. He joined the Company in May 2021. From July 2011 to May 2015, he successively worked in China National Investment and Guaranty Co., Ltd. (中國投融資擔保有限公司), Ping An Bank Co., Ltd. (平安銀行股份有限公司) and China Ping An Trust Co., Ltd. (平安信託有限責任公司). From May 2015 to March 2017, he served as the corporate business director of Xiamen Branch of Ping An Bank Co., Ltd. From March 2017 to April 2018, he served as the vice president of the financial market headquarters of China Minsheng Trust Co., Ltd. (中國民生信託有限公司). From May 2018 to December 2020, he served as the general manager of the wealth centre of Chang'an International Trust Co., Ltd., and later served as the managing director of the Company. Mr. Cui graduated from Shandong University in the PRC with a master's degree in business management.

None of our Directors, Supervisors and senior management is personally related (including financial, business, family or other material relevant relationships) to any of other Directors, Supervisors or senior management. None of our Directors, Supervisors and senior management have been involved in any of the events described under Rule 13.51(2)(h) to (v) of the Listing Rules, and no other matters are required to be disclosed under Rule 13.51(2) of the Listing Rules.

# DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

## CHANGES OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND COMPANY SECRETARY

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

### CHANGES OF DIRECTORS

Upon the recommendation of the Board of Directors, Ms. Zhang Haiyan was elected as independent non-executive Director at the 2022 third extraordinary general meeting of the Company held on 30 November 2022. The qualification of Ms. Zhang as independent non-executive Director was approved by the former Shandong Office of CBIRC on 13 April 2023. Pursuant to the relevant provisions of the applicable laws and regulations and the Article of Association, Mr. Yen Huai-chiang ceased to serve as an independent non-executive Director of the Company, chairperson of the trust committee and member of the nomination and remuneration committee of the Company due to the expiry of his term of office following the approval of Ms. Zhang's qualification by the former Shandong Office of CBIRC.

Upon the recommendation of the Board of Directors, Ms. Liu Wanwen was elected as independent non-executive Director at the 2023 first extraordinary general meeting of the Company held on 31 October 2023. The qualification of Ms. Liu as independent non-executive Director was approved by the Shandong Office of the National Financial Regulatory Administration on 26 December 2023. Pursuant to the relevant provisions of the applicable laws and regulations and the Articles of Association, Ms. Meng Rujing ceased to serve as an independent non-executive Director, members of the nomination and remuneration committee and the Audit Committee of the Company due to the expiry of her term of office following the approval of Ms. Liu's qualification by the Shandong Office of the National Financial Regulatory Administration.

Due to work arrangement, Mr. Wan Zhong ceased to be the chairperson of the Board of Directors, an executive Director, the chairperson of the strategies and risk management committee and a member of the nomination and remuneration committee of the Company with effect from 10 November 2023. As recommended by the Board of Directors, Mr. Yue Zengguang has been elected as an executive Director and the chairperson of the Board of Directors at the 2023 second extraordinary general meeting of the Company held on 28 November 2023. The qualification of Mr. Yue as an executive Director and the chairperson of the Board of Directors has been approved by the Shandong Office of the National Financial Regulatory Administration on 10 January 2024.

### 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.

# DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

## 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 Deputy General Manager of the Company, and agreed to appoint Mr. Qi Guanyi as a vice general manager of the Company. The qualification of Mr. Qi Guanyi was approved by the former Shandong Office of CBIRC on 8 March 2023. The Company convened a meeting of the Board of Directors on 13 December 2023, considered and approved the Resolution on the Dismissal of Deputy General Manager (Professional Manager) Qi Guanyi. Due to personal reasons, Mr. Qi Guanyi will no longer serve as the vice general manager of the Company.

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

## ANNUAL REMUNERATION

Please refer to Note XVI.2 “Emoluments of Directors, Supervisors and the Five Highest Paid Individuals” to the Consolidated Financial Statements for details of the remuneration of Directors, Supervisors and senior management of the Company.

For the year ended 31 December 2023, we did not pay any remuneration to our non-executive Directors who were nominated by our Shareholders to take up the Directors’ position in the Company because these non-executive Directors had been remunerated by our Shareholders directly for their service as our Director, being part of their job responsibilities of their working with our Shareholders.

Save as disclosed in this annual report, no other amounts have been paid or are payable by the Company to our Directors and Supervisors for the year ended 31 December 2023.

No remuneration was paid by the Company to the Directors, Supervisors or the five highest paid individuals as an inducement to join the Company or as remuneration or a compensation for loss of office upon joining the Company in respect of the year ended 31 December 2023. Furthermore, none of our Directors nor Supervisors waived or agreed to waive any remuneration during the same period.

The Board of Directors will review and determine the remuneration and compensation packages of our Directors, Supervisors and senior management, which will receive recommendation from the Remuneration Committee, taking into account salaries paid by comparable companies, their time devoted, experience possessed and responsibilities assumed in the Company.

# CORPORATE GOVERNANCE REPORT

## CORPORATE GOVERNANCE

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

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

## CORPORATE GOVERNANCE CODE

The Company is committed to maintaining high standard of corporate governance to safeguard the interests of the Company's shareholders and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code contained in Appendix C1 to the Listing Rules ("**Corporate Governance Code**") as its own corporate governance code.

Pursuant to Code C.2.1 of Part 2 of the Corporate Governance Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Since 10 November 2023, as Mr. Wan Zhong ceased to be the chairperson of the Company, in order to ensure the orderly operation of corporate governance, Mr. Fang Hao, an executive director and the general manager of the Company, acts as the chairperson of the Company in accordance with the relevant laws and regulations. His term of office commenced from 10 November 2023 until the qualification of the new chairperson is approved and shall not exceed six months. During Mr. Fang Hao's tenure of office as the chairperson, notwithstanding the deviation from the code provisions, under the supervision of the Board of Directors which comprises one executive Director, three non-executive Directors and three independent non-executive Directors, the Board of Directors is appropriately structured with balance of power to provide sufficient check and balance to protect the interests of the Company and the shareholders.

The qualifications of Mr. Yue Zengguang, the new chairperson of the Company, as an executive Director and chairperson have been approved by the Shandong Office of the National Financial Regulatory Administration, and took effect on 10 January 2024. Since then, Code C.2.1 of Part 2 of the Corporate Governance Code has been satisfied.

Save as disclosed above, 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.

## CORPORATE GOVERNANCE STRUCTURE

Please refer to the "Basic Corporate Information" under the section headed "Information About Us" in this annual report for our corporate governance structure.

# CORPORATE GOVERNANCE REPORT

## RESPONSIBILITIES OF THE BOARD OF DIRECTORS

The Board of Directors undertakes the overall leadership of the Company, oversees the Company's strategic decisions and monitors its business and performance. The Board of Directors has delegated the authority and responsibility for day-to-day management and operation of the Company to the senior management of the Company. To oversee particular aspects of the Company's affairs, the Board of Directors has established five Board committees, including the Audit Committee, the Nomination and Remuneration Committee, the Strategies and Risk Management Committee, the Trust and Consumer Rights Protection Committee and the Related Party Transaction Control Committee (collectively, the "**Board Committees**"). The Board of Directors has delegated to the Board Committees responsibilities as set out in their respective terms of reference.

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

## COMPOSITION OF THE BOARD OF DIRECTORS

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

The current members of the Board of Directors are listed as follows:

Name	Position
Yue Zengguang	Chairperson and Executive Director
Fang Hao	Executive Director and General Manager
Wang Zengye	Vice chairperson and Non-executive Director
Zhao Zikun	Non-executive Director
Wang Bailing	Non-executive Director
Zhang Haiyan	Independent non-executive Director
Zheng Wei	Independent non-executive Director
Liu Wanwen	Independent non-executive Director

Biographies of the Directors are set out in the section headed "Directors, Supervisors and Senior Management" in this annual report.

Ms. Zhang Haiyan and Ms. Liu Wanwen, who were appointed as independent non-executive Directors during the financial year ended 31 December 2023, have obtained legal advice as referred to in Rule 3.09D of the Listing Rules on 27 April 2023 and 3 January 2024, respectively, and both of them have confirmed they are aware of the responsibilities as Directors of the Company.

Mr. Yue Zengguang was elected as an executive Director and elected as the chairperson by the Board at the 2023 second extraordinary general meeting of the Company convened on 28 November 2023. His qualification as an executive Director and the chairperson of the Board has been approved by the Shandong Office of the National Administration of Financial Regulation on 10 January 2024. Mr. Yue has obtained a legal opinion as referred to in Rule 3.09D of the Listing Rules on 10 January 2024, and he has confirmed that he is aware of his responsibilities as a Director.

# CORPORATE GOVERNANCE REPORT

## INDEPENDENT NON-EXECUTIVE DIRECTORS

During the Reporting Period, the Board of Directors has complied with the requirements of Rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one possessing appropriate professional qualification or accounting or related financial management expertise at any time.

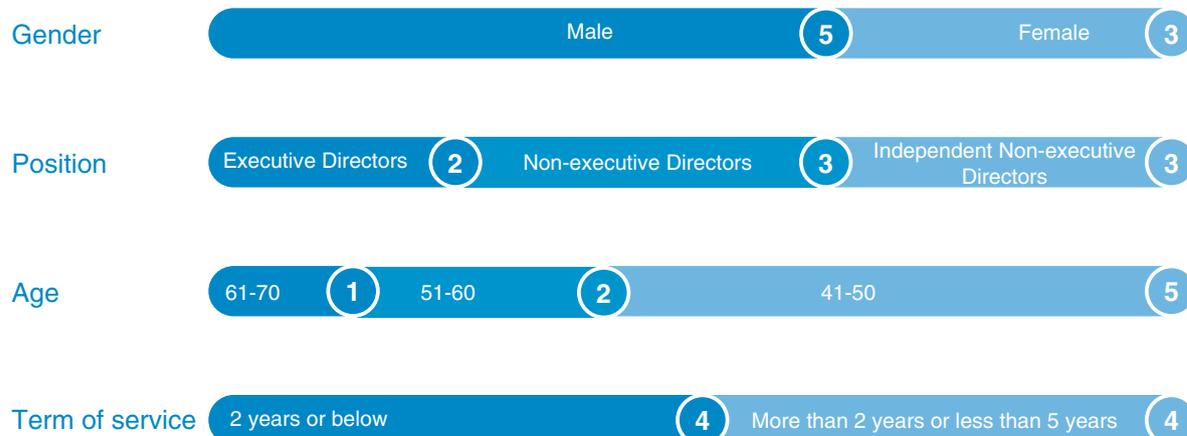
The Company has received an annual confirmation from each of the independent non-executive Directors relating to their independence. Each of the independent non-executive Directors has confirmed his/her independence during the year ended 31 December 2023 pursuant to Rule 3.13 of the Listing Rules and the Company considers each of them to be independent.

## DIVERSITY OF THE BOARD OF DIRECTORS

The Board of Directors remains committed to enhancing its operating efficiency and maintaining the highest standards of corporate governance on a continuing basis and recognises the vital importance of the diversity of the Board of Directors with regard to the maintenance of competitive advantage and sustainable development. The Board of Directors strives to ensure the appropriate balance of skills, experience and diversity of perspectives that are essential for the implementation of its business strategies of the Board of Directors and the effective operation of the Board of Directors. In designing the composition of the Board of Directors, the Company has taken into account the diversity of the Board of Directors, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge, length of service and time to be devoted as a Director, etc. The Company will also consider its own business model and special needs from time to time as well. The ultimate decision will be made based on the contribution and merit that the selected candidates will bring to the Board of Directors. The Board of Directors has reviewed the structure, size, and diversity of the Board of Directors as well as the selection criteria for Director candidate(s) and the Board Diversity Policy, to ensure that the Board of Directors' composition complies with the Listing Rules and reflects an appropriate mix of skills, experience, and diversity that are relevant to the Company's strategy, governance, and business and contribute to the Board of Directors' effectiveness and efficiency. At present, the Board of Directors comprises professionals in the fields of finance, economics, wealth management and accounting. Meanwhile, it has achieved diversification in multiple dimensions such as gender, age and service period, which has effectively improved the decision-making ability and strategic management level of the Board of Directors.

The Board of Directors currently has three female members, accounting for 37.5% of the members of the Board of Directors. The Board of Directors targets to maintain at least the current level of female representation. In considering the Board of Directors' succession, the Nomination and Remuneration Committee would engage independent professional search firm(s) to help identify potential candidates for Directors, as and when appropriate. In 2023, the Company has also elected Ms. Liu Wanwen as an independent non-executive Director, whose qualification is approved by Shandong Office of the National Financial Regulatory Administration. The Board of Directors will continue to increase the proportion of female members over time as and when suitable candidates are identified.

As at the date of this annual report, the analysis on the composition of the Board of Directors is as follows:



# CORPORATE GOVERNANCE REPORT

## INDEPENDENCE OF THE BOARD OF DIRECTORS

### COMPOSITION OF THE BOARD OF DIRECTORS

The Board of Directors ensures the appointment of at least three independent non-executive Directors representing at least one-third of the Board of Directors, with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise. In addition, the independent non-executive Directors will be appointed as members of the board committees to the extent practicable to ensure independent advice. The independent non-executive Directors enhance the effectiveness and decision-making of the Board of Directors through objective judgement and constructive questions to the management. Independent non-executive Directors are subject to an independent assessment upon their appointment and thereafter, re-assessment on an annual basis and in any other circumstances requiring reconsideration.

### INDEPENDENCE ASSESSMENT

- Details of the Directors' interests in the Group's business are set out on pages 145 and 146 of this annual report.
- Each independent non-executive Director is required to inform the Company as soon as practicable if there is any change in his/her own personal particulars that may affect his/her independence. No such notification was received by the Company in 2023.
- The Nomination and Remuneration Committee assessed the annual confirmation of independence of each independent non-executive Director based on the criteria set out in Rule 3.13 of the Listing Rules.
- As a good corporate governance practice, every Nomination and Remuneration Committee member abstained from assessing his/her own independence.
- Particular attention was given to assessing the independence of the Directors nominated by Lucion Group given that the Lucion Group is a Controlling Shareholder of the Company.
- The Nomination and Remuneration Committee affirmed that all independent non-executive Directors continued to demonstrate strong independence in judgement and were free from any business or other relationship which could interfere with their ability to discharge their duties effectively, and they therefore all remained independent.

# CORPORATE GOVERNANCE REPORT

The Nomination and Remuneration Committee also reviewed and considered that the following key features or mechanisms under the Company's Board of Directors and governance structure are effective in ensuring that independent opinions are provided to the Board of Directors.

## **Board of Directors and Committees' structure**

- The Board of Directors comprises two executive Directors, three non-executive Directors and three independent non-executive Directors. The chairperson is an executive Director of the Board of Directors and is independent from each of the other seven Directors and senior management and does not have any personal relationship.
- The majority of the committees have independent non-executive Directors as members, with non-executive Directors representing a large majority of the committees

## **Independent non-executive Directors' tenure**

- The Articles of Association stipulates that the term of office of an independent non-executive Director shall be three years and renewable upon re-election and reappointment, provided that such term of office shall not exceed six years.

## **Independent non-executive Directors' remuneration**

- The independent non-executive Directors will receive remuneration for their positions on the Board of Directors and the Board Committees as appropriate after assessment and consideration of various factors by the Nomination and Remuneration Committee. In avoidance of the deviations in independent non-executive Directors' decisions and damage to their objectivity and independence, they are not eligible to participate in the share award scheme. Information regarding Directors' emoluments is set out in Note XVI.2 "Emoluments of Directors, Supervisors and the Five Highest Paid Individuals" to the consolidated financial statements.

## **Appointment of Independent non-executive Directors**

- Independent search firm(s) will be engaged by the Nomination and Remuneration Committee to help identify potential candidates for appointment of independent non-executive Directors.
- In assessing suitability of the candidates, the Nomination and Remuneration Committee will review their profiles, including their qualification and time commitment, having regard to the Board of Directors' composition, the Directors' skill and experience, the selection criteria approved by the Board of Directors, the nomination policy and the Board Diversity Policy.

## **Annual review of independent non-executive Directors' commitment and independence**

- The Nomination and Remuneration Committee reviews annually each Director's time commitment to the Company's business. Directors' attendance records in 2023 are disclosed in the "Corporate Governance Report" as set out in this annual report.
- Independent non-executive Directors' independence is assessed upon appointment, and shall be reassessed on an annual basis and in any other circumstances that require reconsideration.

# CORPORATE GOVERNANCE REPORT

- Conflict management**
- The Articles of Association and the Procedural Rules for the Board of Directors of the Company provide guidance to Directors and committee members on avoiding conflicts of interest and on the circumstances under which appropriate action(s) shall be taken by the Director in conflict.
- Professional advice**
- Directors (including independent non-executive Directors) have the right to request further information from the management regarding matters discussed at the board meeting. To facilitate proper discharge of their duties, all Directors are entitled to seek advice from the company secretary or the in-house legal team as well as from independent professional advisers at the Company's expense.
- Board of Directors' evaluation**
- The quality and efficiency of discussions at board meetings are assessed during the annual evaluation of the Board of Directors' performance.

## FUNCTIONS AND POWERS OF THE BOARD OF DIRECTORS

In accordance with the Articles of Association, main functions and powers of the Board of Directors include but not limited to the following:

- (1) to convene general meetings and to report its work to the general meetings;
- (2) to implement the resolutions of the general meetings;
- (3) to decide on the operation plans and investment plans of the Company;
- (4) to formulate the annual financial budgets and final accounts of the Company;
- (5) to formulate the profit distribution plans and loss recovery plans of the Company;
- (6) to formulate proposals for the increase or reduction of the registered capital of the Company;
- (7) to prepare proposals for the material acquisition, merger, division, dissolution or change of corporate form of the Company;

# CORPORATE GOVERNANCE REPORT

- (8) to formulate proposals for repurchase of shares of the Company;
- (9) to resolve repurchase of shares of the Company under certain circumstances;
- (10) to formulate proposals for the issuance of corporate bonds, any types of shares, warrants or other marketable securities and listing;
- (11) to decide on the establishment of internal management departments of the Company and the establishment or revocation of the branches and other sub-branches of the Company;
- (12) to elect the chairperson and vice chairperson of the Board of Directors of the Company;
- (13) to appoint or dismiss the general manager of the Company and secretary to the Board of Directors pursuant to the nominations by the chairperson of the Board of Directors of the Company; to appoint or dismiss vice general manager, chief financial officer and other senior management members of the Company pursuant to the nominations by the general manager and to decide on their remunerations, incentives and punishments; and to supervise senior management in performing their duties;
- (14) to formulate the basic management system of the Company;
- (15) to prepare proposals for amendments to the Articles of Association, Procedural Rules for the Shareholders' General Meeting and Procedural Rules for the Board of Directors; to review and approve the working rules of special committees under the Board of Directors;
- (16) to formulate the share incentive schemes of the Company;
- (17) to be responsible for the matters in relation to the information disclosure of the Company and assume ultimate responsibility for the truthfulness, accuracy, completeness and timeliness of accounting and financial reports;
- (18) to decide on the establishment of special committees and to elect their members;
- (19) to decide on the risk management system of the Company which covers risk assessments, financial control, internal audit, money laundering risk management and legal risk control and monitor its implementation; to determine the Company's risk tolerance, risk management and internal control policies, and assume the ultimate responsibility for comprehensive risk management;
- (20) to propose the appointment or replacement of the accounting firm that provides the Company with auditing services for annual financial statements to the general meeting, and decide on its audit fees;
- (21) to listen to the regular or irregular work reports from the general manager of the Company or the senior management members of the Company entrusted by the general manager, and to approve the work reports of the general manager;

# CORPORATE GOVERNANCE REPORT

- (22) to consider and approve the major financial accounting policies and changes to accounting estimates;
- (23) to decide on the staffing arrangement, proposals on remuneration and performance appraisal of the senior management members;
- (24) to consider the material equity investments, bond investments, acquisition of assets, disposal of assets, write off of assets and external guarantee and other transaction matters in the proprietary business except for those which shall be approved by the general meetings in accordance with the Articles of Association;
- (25) to consider the material related party transactions which shall be approved by the Board of Directors pursuant to the laws, regulations and listing rules of the place where the securities of the Company are listed;
- (26) to consider and approve the matters related to data governance in accordance with the laws, regulations, regulatory provisions and the Articles of Association;
- (27) to determine the development strategies of the Company and oversee their implementation;
- (28) to determine capital plans of the Company and assume ultimate responsibility for capital or solvency management;
- (29) to regularly assess and improve corporate governance of the Company;
- (30) to safeguard the legitimate interests of financial consumers and other stakeholders;
- (31) to establish a mechanism for identifying, reviewing and managing conflicts of interest between the Company and shareholders, especially substantial shareholders;
- (32) to assume responsibility for the management of shareholders' affairs;
- (33) to decide on the Company's major proprietary fund lending business, major proprietary fund subscription trust plan business and major actively managed collective fund trust business;
- (34) to exercise other functions and powers conferred by the laws, regulations, listing rules of the stock exchange of the place where the shares of the Company are listed, regulatory requirements, the general meetings and the Articles of Association.

The Board of Directors shall provide explanations in the general meeting in respect of the auditors' report with a qualified opinion issued by the certified public accountants regarding the financial statements of the Company.

# CORPORATE GOVERNANCE REPORT

## INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

All newly appointed Directors are provided with necessary induction training and information to ensure that he/she has a proper understanding of the Company's operations and business as well as his/her responsibilities under relevant statutes, laws, rules and regulations. The Company also periodically arranges seminars for Directors and provides them with updates on latest development and amendments in the Listing Rules and other relevant legal and regulatory requirements from time to time. Also, Directors are provided with regular updates on the performance, position and prospects of the Company to enable the Board of Directors as a whole and each Director to discharge their duties.

All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The company secretary of the Company updates and provides written training materials in respect of the roles, functions and responsibilities of Directors from time to time.

A summary of training received by Directors during the year ended 31 December 2023 according to the records provided by the Directors is as follows:

Name of Director	Nature of Programme of Continuous Professional Development
<b>Executive Directors</b>	
Yue Zengguang	CD
Fang Hao	CD
<b>Non-executive Directors</b>	
Wang Zengye	CD
Zhao Zikun	CD
Wang Bailing	CD
<b>Independent Non-executive Directors</b>	
Zhang Haiyan	CD
Zheng Wei	CD
Liu Wanwen	CD
<b>Resigned Directors</b>	
Wan Zhong	CD
Yen Huai-chiang	CD
Meng Rujing	CD

Notes:

A: attending seminars and/or meetings and/or forums and/or briefings

B: giving speeches at seminars and/or meetings and/or forums

C: attending trainings provided by lawyers or trainings related to the Company's business

D: reading materials on different topics, including corporate governance, responsibilities of directors, Listing Rules and other relevant laws

# CORPORATE GOVERNANCE REPORT

## CHAIRPERSON AND GENERAL MANAGER

Pursuant to code provision C.2.1 of Part 2 of the Corporate Governance Code, the roles of chairperson of the Board of Directors and the general manager should be separated and served by different individuals.

The Company clearly delineates these two different positions of chairperson and general manager with functions. The chairperson of the Board is responsible for providing strategic recommendations and guidance on the Company's development and the general manager is responsible for daily operations of the Company.

Since 10 November 2023, as Mr. Wan Zhong ceased to be the chairperson of the Company, in order to ensure the orderly operation of corporate governance, Mr. Fang Hao, an executive director and the general manager of the Company, acts as the chairperson of the Company in accordance with the relevant laws and regulations. His term of office commenced from 10 November 2023 until the qualification of the new chairperson is approved and shall not exceed six months. During Mr. Fang Hao's tenure of office as the chairperson, notwithstanding the deviation from the code provisions of the Listing Rules, under the supervision of the Board which comprises one executive director, three non-executive directors and three independent non-executive directors, the Board is appropriately structured with balance of power to provide sufficient checks to protect the interests of the Company and the Shareholders.

The qualifications of Mr. Yue Zengguang, the new chairperson of the Company, as an executive director and chairperson have been approved by Shandong Office of the National Financial Regulatory Administration, and will take effect on 10 January 2024. Since then, Code C.2.1 of Part 2 of the Corporate Governance Code has been satisfied.

## APPOINTMENT AND RE-ELECTION OF DIRECTORS

In accordance with the requirements of the Articles of Association, the Directors are elected at the general meeting by way of ordinary resolutions. The Directors' term of office is three years, and Directors are eligible for re-election upon expiry of the term.

The nomination method and the election procedures for Directors are as follows:

- (1) a candidate for the position of Director shall be nominated by the Board of Directors, the Nomination and Remuneration Committee of the Board or by way of putting forward a proposal by the Shareholders individually or jointly holding 3% or more of the total number of shares carrying voting rights issued by the Company, and the basic information, biographies and other written materials shall be attached thereto. In principle, Directors nominated by the same Shareholder and its related parties shall not exceed one third of the total number of members of the Board of Directors;
- (2) for candidates for the position of Director nominated by the Board of Directors, the Nomination and Remuneration Committee of the Board of Directors shall conduct preliminary review on the qualifications for such positions and conditions of the candidates for the position of Director, and propose competent candidates to the Board of Directors for consideration; upon consideration and approval by the Board of Directors, the candidates for the position of Director shall be proposed to the general meeting by way of written proposal;

# CORPORATE GOVERNANCE REPORT

- (3) the candidates for the position of Director shall make written commitments before the convening of general meeting that they agree to accept the nomination, undertake that the information publicly disclosed is true and complete, and warrant to fulfil the duties of Directors with due diligence once elected; the written notice of intention to nominate a person for the position of Director and the written notice by such person of his/her willingness to accept the nomination and relevant written materials with information of the nominee, shall be sent to the Company at least 10 days prior to the convening of the general meeting;
- (4) the Company shall, before convening the general meeting, disclose detailed information of the candidates for the position of Director to Shareholders according to the laws, regulations and the Articles of Association in order to ensure that Shareholders could have sufficient understanding of the candidates when casting their votes;
- (5) the Company shall give at least seven days for relevant nominators and candidates for the position of Director for submission of the notice and materials set forth as above (such period shall be calculated from the day following the issue date of the notice of general meeting); and
- (6) the general meeting shall vote on the proposals on each candidate one by one.

Before the expiry of the term of office, a Director shall not be dismissed by the general meeting without any reasons. Where a Director has not been timely re-elected at the expiry of the term of office, or where a Director has resigned during the term of office resulting that the number of the members in the Board of Directors falls below the quorum, the original Director shall still perform his/her duties as a Director, prior to the assumption of office by the re-elected Director, in accordance with the laws and regulations as well as the provisions of the Articles of Association.

The term of office of independent Directors is three years, and such Directors are eligible for re-election upon expiry of the term, but the term for re-election shall be no more than six years. Before the expiry of the term of office, an independent Director shall not be dismissed by the general meeting without any reasons.

Each of the executive Directors, non-executive Directors, independent non-executive Directors and Supervisors has entered into a service contract with the Company for a term of three years. None of our Directors and Supervisors have entered into a service contract with the Company with a term specifying that if the Company terminates the contract within one year, the Company has to make compensation apart from statutory compensation.

Procedures and processes for appointment, re-election and removal of Directors are set out in the Articles of Association. The Nomination and Remuneration Committee is responsible for reviewing the composition of the Board of Directors, and providing recommendations to the Board of Directors in relation to the appointment, re-election and succession planning for Directors.

# CORPORATE GOVERNANCE REPORT

## BOARD MEETINGS

Board meetings are divided into regular board meetings and extraordinary board meetings. Regular board meetings shall be convened at least four times a year. Regular board meetings shall not be convened by way of written resolution.

The chairperson of the Board of Directors shall convene an extraordinary board meeting within ten days from the date of receipt of the requests under one of the following circumstances:

- (1) joint request of more than one-third of the Directors;
- (2) request of the Board of Supervisors;
- (3) request of more than one half of the independent Directors;
- (4) when the chairperson of the Board of Directors deems necessary;
- (5) request in writing by Shareholders who hold 10% or more of the shares with voting rights of the Company;
- (6) request of the general manager; and
- (7) other circumstances as stipulated in the Articles of Association.

To convene an extraordinary board meeting, a notice shall be given to the Directors at least seven days before the date of meeting by telex, telegraph, facsimile, registered mail, e-mail or through personal delivery (except as otherwise stipulated in applicable laws, regulations, securities regulatory rules and the Articles of Association in respect of regular board meetings). Contents of the notice shall include the time and venue of the meeting, the duration of the meeting, subject matter and proposals of the meeting, the issue date of the notice and other relevant documents for the meeting. With written consent of all directors, the notice period requirement of the extraordinary board meetings may be waived.

The board meeting may be convened by way of on-site meeting or written resolution (except as otherwise required by Listing Rules to convene by way of on-site meeting or under the circumstances as stipulated in the Articles of Association). To facilitate the Directors' attendance of the board meetings, on-site meetings may be held by way of telephone, video or others means, and Directors who attend the board meetings by such means shall be deemed to have attended the on-site meeting in person.

Minutes of the board meetings and board committee meetings are recorded in sufficient detail on the matters considered by the Board of Directors and the Board Committees and the decisions reached, including any concerns raised by the Directors. Draft minutes of each board meeting and board committee meeting will be sent to the Directors for consideration within a reasonable time after the date on which the meeting is held. The minutes of the board meetings are open for inspection for all Directors.

# CORPORATE GOVERNANCE REPORT

During the Reporting Period, the Board of Directors held 11 board meetings and 3 general meetings. Attendance of the Directors attending board meetings and general meetings is set out in the following table:

Director	Number of board meetings attended/number of attendance in board meetings required	Number of general meetings attended/number of attendance in general meetings required
<b>Executive Directors</b>		
Yue Zengguang	0/0	0/0
Fang Hao	11/11	3/3
<b>Non-executive Directors</b>		
Wang Zengye	10/11	3/3
Zhao Zikun	11/11	3/3
Wang Bailing	11/11	3/3
<b>Independent non-executive Directors</b>		
Zhang Haiyan	10/10	3/3
Zheng Wei	11/11	3/3
Liu Wanwen	1/1	0/0
<b>Resigned Directors</b>		
Wan Zhong	8/8	2/2
Yen Huai-chiang	1/1	0/0
Meng Rujing	10/10	3/3

Notes:

- (1) Attendance in meetings includes on-site attendance and attendance by way of telephone and video conference.
- (2) For changes of Directors, please refer to "Changes of Directors" in the section headed "Directors, Supervisors and Senior Management".

# CORPORATE GOVERNANCE REPORT

## MODEL CODE FOR CONDUCTING SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix C3 to the Listing Rules as the code of conduct for its Directors and Supervisors to conduct securities transactions. Upon specific enquiries made by the Company to all Directors and Supervisors, each of the Directors and Supervisors has confirmed that they had complied with the required standard as set out in the Model Code during the Reporting Period.

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

## DELEGATION BY THE BOARD OF DIRECTORS

The Board of Directors reserves for its decision on all major matters of the Company, including approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial data, appointment of Directors and other significant financial and operational matters. Directors could have recourse to seek independent professional advice in performing their duties at the Company’s expense and are encouraged to consult with the Company’s senior management independently.

The daily management, administration and operations of the Company are delegated to the senior management. The delegated functions and responsibilities are periodically reviewed by the Board of Directors. Approval has to be obtained from the Board of Directors prior to any significant transactions entered into by the management.

## CORPORATE GOVERNANCE FUNCTION

The Board of Directors is responsible for performing the functions set out in code provision A.2.1 of the Corporate Governance Code.

The Board of Directors reviewed the Company’s corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company’s policies and practices in compliance with legal and regulatory requirements, the compliance of the Company’s code on securities transactions, and the Company’s compliance with the Corporate Governance Code and disclosure in this Corporate Governance Report.

# CORPORATE GOVERNANCE REPORT

## BOARD COMMITTEES

### Audit Committee

The Audit Committee consisted of three members, including a non-executive Director, namely Mr. Zhao Zikun and two independent non-executive Directors, namely Mr. Zheng Wei (Chairperson) and Ms. Zhang Haiyan. The Audit Committee being a special committee under the Board of Directors shall exercise its powers as stipulated by the Articles of Association and within the scope of delegation from the Board of Directors. The Audit Committee is accountable and shall report to the Board of Directors.

The Audit Committee performs the following duties:

- (1) to make recommendations to the Board of Directors on the appointment, reappointment and removal of the external auditors, to approve the remuneration and terms of engagement of the external auditors, and to deal with any issues of their resignation or dismissal;
- (2) to review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Audit Committee shall discuss with the auditors the nature and scope of the audit and the reporting obligations before the audit commences;
- (3) to formulate and implement policy on the provision of non-audit services by the external auditors. For this purpose, "external auditor" includes any institution that is under common control, ownership or management with the auditor or any institution that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the domestic or international business of such auditor. The Audit Committee shall report to the Board of Directors and advise on any matters where action or improvement is needed;
- (4) to monitor the integrity, accuracy and fairness of the Company's financial statements, annual reports and accounts, interim reports and, if prepared for publication, quarterly reports, and to review significant opinions on financial reporting as set out therein. In reviewing the Company's financial statements, annual reports and accounts, interim reports and, if prepared for publication, quarterly reports before submission to the Board of Directors, the Audit Committee shall focus particularly on:
  - (i) any changes in accounting policies and practices;
  - (ii) major judgmental issues;
  - (iii) significant adjustments resulting from audit;
  - (iv) the assumption of going concern of the Company and any qualified opinions;
  - (v) whether compliance with accounting standards; and
  - (vi) whether compliance with the Listing Rules and other legal requirements in relation to financial reporting;

# CORPORATE GOVERNANCE REPORT

- (5) regarding paragraph (4) above:
- (i) members of the Audit Committee shall liaise with the Board and the senior management members of the Company. The Audit Committee shall meet at least twice a year with the Company's external auditors; and
  - (ii) the Audit Committee shall consider any significant or unusual items that are, or may need to be, reflected in such reports and accounts, and shall give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or auditors;
- (6) to review the Company's financial control, and unless expressly addressed by a separate risk control and audit committee under the Board of Directors, or by the Board of Directors itself, to review the Company's risk management and internal control systems;
- (7) to discuss the risk management and internal control systems with management to ensure that management has performed its duty to establish and maintain effective systems. Such discussion shall consider the adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting and financial reporting function;
- (8) to examine major investigation findings on risk management and internal control matters and the management's response to these findings on its own initiative or as authorised by the Board of Directors;
- (9) to ensure coordination between the internal and external auditing bodies and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company; and to examine and monitor the effectiveness of the internal audit function;
- (10) to review the Group's financial and accounting policies and practices;
- (11) to review the external auditors' letters to the management on audit results, any material queries raised by the auditors to the management about accounting records, financial accounts or control system and the management's response;
- (12) to ensure that the Board of Directors will provide a timely response to the issues raised in the external auditors' letter to the management on audit results;
- (13) to report to the Board of Directors on the matters included under the paragraph headed "Audit Committee" in Appendix C1 to the Listing Rules;

# CORPORATE GOVERNANCE REPORT

- (14) the Audit Committee shall handle the following issues:
- (i) to review arrangements which employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The Audit Committee shall ensure that proper arrangements are in place for fair and independent investigation of these matters and appropriate follow-up action taken by the Company;
  - (ii) the Audit Committee shall establish a whistleblowing policy and system for employees and other persons who deal with the Company to raise concerns, in confidence, with the Audit Committee about possible improprieties in any matter related to the Company;
- (15) to act as the key representative body for overseeing the relationship between the Company and the external auditors; and
- (16) any other matters as authorised by the Board of Directors.

The terms of reference of the Audit Committee are available for inspection on the websites of the Hong Kong Stock Exchange and the Company.

During the Reporting Period, attendance of each member of the Audit Committee attending committee meetings is set out in the following table:

Name of Director	Number of meetings attended/ number of attendance required
Mr. Zheng Wei ( <i>Chairperson</i> )	4/4
Ms. Zhang Haiyan	0/0
Mr. Zhao Zikun	4/4
Ms. Meng Rujing ( <i>former member</i> )	4/4

Notes:

- (1) "Attendance" in meetings includes on-site attendance and attendance by way of telephone and video conference.
- (2) For changes of Directors, please refer to "Changes of Directors" in the section headed "Directors, Supervisors and Senior Management" in this annual report.

For details concerning these meetings, please refer to this section headed "Performance of Duties by the Board of Directors and Its Committees".

## Nomination and Remuneration Committee

The Nomination and Remuneration Committee consisted of three members, including an executive Director, namely Mr. Yue Zengguang, and two independent non-executive Directors, namely Ms. Zhang Haiyan and Ms. Liu Wanwen (Chairperson). The Nomination and Remuneration Committee being a special committee under the Board of Directors shall exercise its powers as stipulated by the Articles of Association and within the scope of delegation from the Board of Directors. The Nomination and Remuneration Committee is accountable and shall report to the Board of Directors.

# CORPORATE GOVERNANCE REPORT

The major duties of the Nomination and Remuneration Committee are as follows:

- (1) to carry out regular review at least once each year in respect of the structure, size and composition (including the aspects of skills, knowledge and experience) of the Board of Directors, and to make recommendations with regard to any proposed changes made to the Board of Directors in line with the Company's strategies;
- (2) to identify individuals with suitable qualifications for Directors and senior management position, and to select and nominate such individuals for Directors and senior management roles or to advise the Board of Directors in respect thereof;
- (3) to assess the independence of independent Directors;
- (4) to make recommendations to the Board of Directors on matters in relation to the appointment or reappointment of Directors and succession planning for Directors (in particular, the chairperson of the Board of Directors and the General Manager);
- (5) to make recommendations to the Board of Directors on the remuneration policy and structure for all Directors and senior management members and on the establishment of a formal and transparent procedure for formulating the remuneration policy;
- (6) to assess the performance of duties of the Directors and senior management members of the Company, and to supervise the implementation of the Company's remuneration system;
- (7) to review and approve the remuneration proposals for senior management members with reference to the corporate guidelines and objectives formulated by the Board of Directors;
- (8) to make recommendations to the Board of Directors on the specific remuneration packages of certain executive Directors and senior management members, including benefits in kind, pension rights and compensation payments (including any compensation payable for loss or termination of their office or appointment);
- (9) to make recommendations to the Board of Directors on the remuneration of the non-executive Directors;
- (10) to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group;
- (11) to review and approve compensation payable to executive Directors and senior management members for loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair, reasonable and not excessive;

# CORPORATE GOVERNANCE REPORT

- (12) to review and approve compensation arrangements in relation to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate;
- (13) to ensure that no Director or any of his associates (as defined under the Listing Rules) is involved in determining his own remuneration;
- (14) to consult with the chairperson of the Board of Directors and/or general manager about the remuneration proposals for other executive directors;
- (15) to review and/or approve matters relating to share schemes under Chapter 17 of the Listing Rules, including any grant of options or awards to Directors or senior management, and to make disclosure and give explanation in the corporate governance report on the appropriateness to approve such significant matters (if any); and
- (16) any other matters as authorised by the Board of Directors.

The Nomination and Remuneration Committee assesses the candidate or incumbent on criteria such as integrity, experience, skills and abilities to commit time and effort to carry out the duties. The recommendations of the Nomination and Remuneration Committee will then be put to the Board of Directors for decision.

The written terms of reference of the Nomination and Remuneration Committee are available for inspection on the websites of the Hong Kong Stock Exchange and the Company.

During the Reporting Period, attendance of each member of the Nomination and Remuneration Committee attending committee meetings is set out in the following table:

Name of Director	Number of meetings attended/ number of attendance required
Ms. Liu Wanwen ( <i>Chairperson</i> )	1/1
Ms. Zhang Haiyan	6/6
Mr. Yue Zengguang	0/0
Ms. Meng Rujing ( <i>former Chairperson</i> )	6/6
Mr. Yen Huai-chiang ( <i>former member</i> )	1/1
Mr. Wan Zhong ( <i>former member</i> )	4/4

Notes:

- (1) "Attendance" in meetings includes on-site attendance and attendance by way of telephone and video conference.
- (2) For changes of Directors, please refer to "Changes of Directors" in the section headed "Directors, Supervisors and Senior Management" in this annual report.

For details concerning the meetings, please refer to "Performance of Duties by the Board and Its Committees" of this section.

# CORPORATE GOVERNANCE REPORT

## Strategies and Risk Management Committee

The Strategies and Risk Management Committee consisted of three members, including executive Director, namely Mr. Yue Zengguang (Chairperson); non-executive Director Mr. Wang Zengye and independent non-executive Director Ms. Liu Wanwen. The Strategies and Risk Management Committee being a special committee under the Board of Directors shall exercise its powers as stipulated by the Articles of Association and within the scope of delegation from the Board of Directors. The Strategies and Risk Management Committee is accountable and shall report to the Board of Directors.

The duties of the Strategies and Risk Management Committee are as follows:

- (1) to research and propose recommendations on medium and long-term development strategies of the Company according to the macro-economic environment, trend of industry development and the operating position of the Company;
- (2) to inspect, supervise and evaluate the implementation of the development strategy of the Company;
- (3) to organise and formulate special plans for development of trust business and proprietary business of the Company;
- (4) to understand and master the major risks faced by the Company and its risk management status;
- (5) to consider the annual or special risk management reports of the Company;
- (6) to review the soundness of the risk management mechanism of the Company, effectiveness of the policies and measures, and rationality of the risk control process;
- (7) to consider the risk strategies and major risk management solutions, as well as criteria or mechanism for judgment of major decisions, major risks, major events and important business flow;
- (8) to review and supervise the compliance and implementation of the laws and regulations of the Company;

# CORPORATE GOVERNANCE REPORT

- (9) to provide advice and recommendations for risk prevention and control of the trust business of the Company;
- (10) to study the requirements of compliance and regulations, formulate and improve the Company's internal compliance policies and implementation plans in accordance with the requirements of the laws, regulations and policies; to consider the Company's compliance and relevant basic system; to consider compliance management and relevant work reports;
- (11) to consider and approve the Company's overall policy on case prevention and control, put forward the overall requirements for case prevention and control, clarify the responsibilities and authorities of the senior management on case prevention and control, and ensure that the senior management takes necessary measures to effectively monitor, warn and deal with case risks; review and supervise the Company's case prevention and control work effectively, review relevant work reports, assess the effectiveness of case prevention and control work, and promote the construction of case prevention and control management system;
- (12) to establish the culture construction goals for the Company's anti-money laundering risk management, formulate anti-money laundering risk management strategies, and review and approve policies and procedures for anti-money laundering risk management; review anti-money laundering work report on a regular basis and understand major money laundering risk events and the treatments in a timely manner; and
- (13) other duties as stipulated by the Board of Directors.

The written terms of reference of the Strategies and Risk Management Committee are available for inspection on the websites of the Hong Kong Stock Exchange and the Company.

During the Reporting Period, attendance of each member of the Strategies and Risk Management Committee attending committee meetings is set out in the following table:

Name of Director	Number of meetings attended/ number of attendance required
Mr. Yue Zengguang ( <i>Chairperson</i> )	0/0
Mr. Wang Zengye	3/3
Ms. Liu Wanwen	0/0
Mr. Wan Zhong ( <i>former Chairperson</i> )	3/3
Mr. Fang Hao ( <i>former member</i> )	3/3

Notes:

- (1) "Attendance" in meetings includes on-site attendance and attendance by way of telephone and video conference.
- (2) For changes of Directors, please refer to "Changes of Directors" in the section headed "Directors, Supervisors and Senior Management" in this annual report.

For details concerning the meetings, please refer to "Performance of Duties by the Board and Its Committees" of this section.

# CORPORATE GOVERNANCE REPORT

## Trust and Consumer Rights Protection Committee

The Trust and Consumer Rights Protection Committee (formerly named as Trust Committee) consisted of three members, including executive Director, namely Mr. Fang Hao; non-executive Director Ms. Wang Bailing, and independent non-executive Director Ms. Zhang Haiyan (Chairperson). The Trust and Consumer Rights Protection Committee being a special committee under the Board of Directors shall exercise its powers as stipulated by the Articles of Association and within the scope of delegation from the Board of Directors. The Trust and Consumer Rights Protection Committee is accountable and shall report to the Board of Directors.

The Trust and Consumer Rights Protection Committee performs the following duties:

- (1) to examine the due payment of trust business of the Company and the realisation of the interests of beneficiaries;
- (2) to supervise the management and utilisation of collective trust properties;
- (3) to conduct regular evaluation for operation of the trust business of the Company and provide advice and suggestions for the development of trust business of the Company;
- (4) to consider specific measures for protecting the interests of the beneficiaries when the interests of the Company or Shareholders conflict with those of beneficiaries, and urge the Company to perform its entrusted duties according to the laws;
- (5) to consider the conditions of protecting the interests of consumers of the Company; and
- (6) other duties stipulated by the Board of Directors.

The written terms of reference of the Trust and Consumer Rights Protection Committee are available for inspection on the websites of the Hong Kong Stock Exchange and the Company.

# CORPORATE GOVERNANCE REPORT

During the Reporting Period, attendance of each member of the Trust Committee attending committee meetings is set out in the following table:

Name of Director	Number of meetings attended/ number of attendance required
Ms. Zhang Haiyan ( <i>Chairperson</i> )	2/2
Mr. Fang Hao	0/0
Ms. Wang Bailing	3/3
Mr. Yen Huai-chiang ( <i>former Chairperson</i> )	1/1
Mr. Zhao Zikun ( <i>former member</i> )	3/3

Notes:

- (1) "Attendance" in meetings includes on-site attendance and attendance by way of telephone and video conference.
- (2) For changes of Directors, please refer to "Changes of Directors" in the section headed "Directors, Supervisors and Senior Management" in this annual report.

For details concerning the meetings, please refer to "Performance of Duties by the Board and Its Committees" of this section.

## Related Party Transaction Control Committee

The Related Party Transaction Control Committee consisted of three members, including an independent non-executive Director, namely Mr. Zheng Wei (Chairperson); an executive Director Mr. Fang Hao and non-executive director Ms. Wang Bailing. The Related Party Transaction Control Committee being a special committee under the Board of Directors shall exercise its powers as stipulated by the Articles of Association and within the scope of delegation from the Board of Directors. The Related Party Transaction Control Committee is accountable and shall report to the Board of Directors.

The Related Party Transaction Control Committee is responsible for the management, review, approval and risk control of related party transactions, and performs the following main duties:

- (1) to study the regulatory requirements and management system of related parties transactions, formulate and improve the Company's related parties transaction system, operating procedures and management methods in accordance with the requirements of the laws, regulations and policies;
- (2) to identify the related parties, define the related party transactions, review the legitimacy, compliance and fairness of the related party transactions, and provide recommendations to the Board of Directors;

# CORPORATE GOVERNANCE REPORT

- (3) to carry out preliminary examination on all kinds of business involving related parties transactions approved by the Board of Directors or the general meeting, express written opinions to the Board of Directors on its legality, compliance, fairness and whether it will damage the interests of the Company or the parties to the trust, submit them to the Board of Directors for approval, and report to the Board of Supervisors;
- (4) to examine and approve related parties transactions and other matters related to related parties transactions within the scope authorised by the laws and regulations and the general meeting and the Board of Directors, and accept the filings of related parties transactions;
- (5) to conduct a special report to the Board of Directors on the implementation of the Company's related parties transaction management system and related parties transactions; and
- (6) other duties authorised by the laws, regulations, relevant regulations of the securities regulatory authority where the Company's shares are listed and the Board of Directors.

The written terms of reference of The Related Party Transaction Control Committee are available for inspection on the websites of the Hong Kong Stock Exchange and the Company.

During the Reporting Period, attendance of each member of the Related Party Transaction Control Committee attending committee meetings is set out in the following table:

Name of Director	Number of meetings attended/ number of attendance required
Mr. Zheng Wei ( <i>Chairperson</i> )	5/5
Ms. Wang Bailing	5/5
Mr. Fang Hao	5/5

Notes:

- (1) "Attendance" in meetings includes on-site attendance and attendance by way of telephone and video conference.
- (2) For changes of Directors, please refer to "Changes of Directors" in the section headed "Directors, Supervisors and Senior Management" in this annual report.

For details concerning the meetings, please refer to "Performance of Duties by the Board and Its Committees" of this section.

# CORPORATE GOVERNANCE REPORT

## REMUNERATION OF THE DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND HIGHEST PAID INDIVIDUALS

For details about the remuneration of Directors, Supervisors and five highest paid individuals of the Company, please refer to Note XVI.2 to the consolidated financial statements. The number of senior management members whose remuneration fall within the ranges below are listed as follows:

	Number of Individuals Year ended 31 December	
	2023	2022
RMB500,000 and below		
RMB500,001 – RMB1,000,000	5	3
RMB1,000,001 – RMB1,500,000	2	3
RMB1,500,001 – RMB2,000,000		
RMB2,000,001 – RMB2,500,000		1
Total	7	7

Notes:

- (1) For details of the remuneration of Mr. Fang Hao, please refer to Note XVI.2 to the consolidated financial statements.
- (2) For changes of senior management, please refer to "Changes of Senior Management" in the chapter "Directors, Supervisors and Senior Management".

# CORPORATE GOVERNANCE REPORT

## DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their duties for preparing the financial statements of the Company for the year ended 31 December 2023 which give a true and fair view of the Group as well as the affairs of the Group and of the Company's results and cash flows.

The management has provided to the Board of Directors such explanation and information as necessary to enable the Board of Directors to carry out an informed assessment of the Company's financial statements, which are put to the Board of Directors for approval. The Company provides all members of the Board of Directors with monthly updates on the Company's performance, positions and prospects.

The Directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern.

The statement by the auditor of the Company regarding their reporting responsibilities on the consolidated financial statements of the Company is set out in the Independent Auditors' Report on page 162 of this annual report.

## RISK MANAGEMENT AND INTERNAL CONTROL

### Risk Management and Internal Control Systems

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

During the Reporting Period, for details of establishment of the risk management systems, risk management structure and control measures of the Company, please refer to "Risk Management" under the section headed "Management Discussion and Analysis" in this annual report.

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

# CORPORATE GOVERNANCE REPORT

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

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

## Internal Auditing

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

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

Under the leadership of the Audit Committee, the Supervision and Audit Department organised and coordinated the Company's annual internal audit during the Reporting Period based on the annual internal audit work plan for 2023. In addition, the Company organised the risk management and internal control assessment team as well as relevant departments to closely cooperate with the external auditors in the work of internal control audit of financial statements. The internal control audit has performed auditing for all key processes and control points related to major accounting subjects. The external auditors regularly communicated with the management on audit results.

# CORPORATE GOVERNANCE REPORT

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

- (1) the Company objectively evaluated the development of 2022 internal control system of the Company, carrying out the evaluation of internal controls in terms of control environment, risk assessments, control activities, information and communication and internal supervision of the Company. The Company provided remedial measures for the possible internal control deficiencies, constantly improving and streamlining the internal control system of the Company;
- (2) the Company conducted targeted inspections on existing business on a regular basis and focused on the compliance of business implementation, completeness of duty performance and validity of internal supervision in terms of projects approval, due diligence review, project approval, project establishment and duration management, so as to improve standard business management;
- (3) the Company conducted targeted inspections on related party transaction management work and focused on the construction and implementation of relevant systems and the operational compliance of related party transaction business;
- (4) the Company conducted targeted inspections on information technology-related work, and focused on information technology governance, information technology risk management, information technology strategic planning, data governance and infrastructure construction, and information technology outsourcing management; and
- (5) the Company conducted targeted inspections on the protection of rights and interests of consumers, and focused on whether the system and process were complete, whether consumers were tested for suitability during product sales, whether marketing and promotional activities were legitimate and traceable, whether information disclosure was timely, whether cooperative agency management was effective, and complaint management.

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

# CORPORATE GOVERNANCE REPORT

## SENIOR MANAGEMENT

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

The biographical details of the senior management are set out in the section headed "Directors, Supervisors and Senior Management" of the annual report.

## REMUNERATION OF THE AUDITORS

The remunerations paid/(payable) to the Company's independent external auditor, ShineWing Certified Public Accountants (Special General Partnership), for the year ended 31 December 2023 in relation to audit services and non-audit services (being the review of the Company's interim results announcement and interim report for the year 2023, respectively) were RMB1 million (tax inclusive, RMB943,000 after tax) and RMB0.5 million (tax inclusive), respectively.

## COMPANY SECRETARY

During the Reporting Period, Mr. He Chuangye ("**Mr. He**") was the company secretary of the Company. He is responsible for advising the Board of Directors on corporate governance matters and ensuring the Board of Directors policies and procedures, the applicable laws, rules and regulations are complied with. In order to uphold good corporate governance and ensure compliance with the Listing Rules and applicable Hong Kong laws. For the year ended 31 December 2023, Mr. He has undertaken no less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

# CORPORATE GOVERNANCE REPORT

## HUMAN RESOURCES MANAGEMENT

Guided by the target of corporate strategies for the human resources work in 2023, the Company deepens market-oriented reform, carries out business transformation and mechanism reform, and promotes the transformation and breakthrough of talent work through the double promotion of business and management, so as to realise the high-quality development of talent team construction.

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

Implementing incentives and constraints and giving full play to the role of assessment. Adopt a market-oriented performance assessment, appraisal and incentive system, under which employee compensation is linked to individual performance. We formulate remuneration plans based on the operating performance, risk management and control of the Company, and the employee compensation is closely related to the assessment and completion of performance indicators, risk control indicators, and social responsibility indicators. At the same time, we comply with the relevant regulations of the regulatory authority on salary management, and earnestly implement the salary deferred payment system, the post avoidance system and other systems.

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

Orderly organising labour unions and fully safeguarding the rights and interests of employees. We held a DIY event with the themes of “Women’s Ambition, Believe It Or ‘Knot’” to express the Company’s concern and care for female employees. We distributed pandemic prevention materials such as masks, wet wipes, alcohol and disinfectant to all employees, thus ensuring the life and health of employees. We also organised the “Celebrate Children’s Day, Send Our Care” parent-child picking activity to let employees and their families deeply feel the care and concern from the Company. Meanwhile, the Company’s operations have never been affected by any strike or significant labour dispute. The Company’s management will continue to maintain good relationships with the labour union and its employees.

# CORPORATE GOVERNANCE REPORT

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

As at 31 December 2022 and 31 December 2023, the Company had a total of 377 and 330 employees, respectively. The number and percentage of different employees by departments were as follows:

	31 December 2023		31 December 2022	
	Number of employees	%	Number of employees	%
Management	12	3.64	13	3.45
Trust business employees	133	40.30	164	43.50
Proprietary business employees	3	0.91	4	1.06
Wealth management employees	59	17.88	75	19.89
Risk management and audit employees	44	13.33	47	12.47
Financial and accounting employees	7	2.12	7	1.86
Operation management employees	36	10.91	35	9.28
Other staff <sup>(1)</sup>	36	10.91	32	8.49
<b>Total</b>	<b>330</b>	<b>100</b>	<b>377</b>	<b>100</b>

Note:

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

As at 31 December 2022 and 31 December 2023, the details of employees by age were as follows:

	31 December 2023		31 December 2022	
	Number of employees	%	Number of employees	%
Aged 25 and below	9	2.73	12	3.18
Aged 26-29	45	13.64	46	12.20
Aged 30-39	189	57.27	232	61.54
Aged 40 and above	87	26.36	87	23.08
<b>Total</b>	<b>330</b>	<b>100</b>	<b>377</b>	<b>100</b>

# CORPORATE GOVERNANCE REPORT

As at 31 December 2022 and 31 December 2023, the details of employees by education level were as follows:

	31 December 2023		31 December 2022	
	Number of employees	%	Number of employees	%
Doctoral degree and above	6	1.82	7	1.86
Master's degree	243	73.64	281	74.53
Bachelor's degree	76	23.03	83	22.02
Junior college and below	5	1.51	6	1.59
<b>Total</b>	<b>330</b>	<b>100</b>	<b>377</b>	<b>100</b>

As at 31 December 2022 and 31 December 2023, the details of employees by gender were as follows:

	31 December 2023		31 December 2022	
	Number of employees	%	Number of employees	%
Male	186	56.36	218	57.82
Female	144	43.64	159	42.18
<b>Total</b>	<b>330</b>	<b>100</b>	<b>377</b>	<b>100</b>

The Company is committed to improving the promotion opportunities of women in various departments, increasing their employment opportunities for positions with insufficient participation, and eliminating barriers and discrimination in the workplace of women at the same time. The Company will achieve its objectives by implementing the following measures:

- (1) Incorporating diversity and inclusion into the entire employee recruitment and termination process to eliminate bias and maintain equal opportunities;
- (2) Leveraging the network of gender equality to support talent development;
- (3) Setting targets and execution plans with different business units to continuously safeguard gender balance;
- (4) Introducing more family-friendly policies.

# CORPORATE GOVERNANCE REPORT

## COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and understanding of the Company's business, performance and strategies. The Company also recognises the importance of timely and non-selective disclosure of the Company's information, which will enable Shareholders and investors to make informed investment decisions. To promote effective communication, the Company adopts a shareholders' communication policy that aims at establishing a two-way relationship and communication between the Company and the Shareholders. In accordance with the Company's shareholder's communication policy, the main channels for the Company to convey information to Shareholders are the Company's annual report, interim report, annual general meeting and other extraordinary general meetings. The disclosure information, corporate communications and other corporate publications submitted by the Company to the Hong Kong Stock Exchange are published on the website of the Hong Kong Stock Exchange and the Company's website ([www.sitic.com.cn](http://www.sitic.com.cn)). The "Investor Relations" section in the Company's website provides the Shareholders with the corporate information, such as corporate communications and key financial information of the Company, as well as the information on the corporate governance of the Company and the structure and functions of the Board of Directors and its committees.

The general meeting of the Company provides an opportunity for Shareholders to communicate directly with the Directors. The chairperson of the Company and chairpersons of each Board Committee will attend the general meetings to answer questions. Of which, the auditors of the Company will answer questions about the conduct of the audit, the preparation and contents of the auditor's report, the accounting policies and the independence of auditors at the annual general meetings.

In order to facilitate the communication between the Company with Shareholders and investment sector, the Company holds results press conference for the Shareholders, investors and analysts from time to time to provide important information for the capital market and media, answer important questions that investors are most concerned recently, and facilitate understanding of the Company's business by different sectors through various activities such as analyst meetings, press conferences and investor roadshows.

The Board of Directors has regularly reviewed the shareholder's communication policy and the Company's Shareholders and investor engagement and communication activities conducted in 2023, and was satisfied with the implementation and effectiveness of the shareholders communication policy. The Company also maintains a website (<http://www.sitic.com.cn>), where up to date information on its business operations and developments, financial information, corporate governance practices, and other information are available for public access.

## TRANSPARENCY OF INFORMATION DISCLOSURE SYSTEM

The Company has always maintained a good information disclosure mechanism. While keeping high degree of transparency during communications with media, analysts and investors, we attach great importance to the handling of insider's information. In general, the Company formulated the Regulations on Information Disclosure Management of Shandong International Trust Co., Ltd. in accordance with the requirements of domestic and overseas laws and regulations, the Listing Rules and the Articles of Association, together with the actual conditions of the Company. Such management regulations were considered and approved by the Board of Directors, clearly expressing the duties and functions of information disclosure, handling and publish of inside information and the procedures of information which shall be disclosed.

# CORPORATE GOVERNANCE REPORT

With respect of internal information exchange and feedback, the Company has established a management system for information communication, forming specific and complete reporting procedures. In accordance with relevant requirements, the Company clarified the principles for disclosure and confidentiality of sensitive information, basis for identifying inside information, and solutions to and administrative measures for handling inside information. Publication and clarification of inside information were coordinated by the department responsible for information disclosure and implemented by the person authorised by the Board of Directors. Such person would clarify and explain the information circulated in the market in strict compliance with the management system formulated by the Company, which includes confidentiality work and publication on the websites of the Company and the Hong Kong Stock Exchange in the manner recognised by the Hong Kong Stock Exchange. For any information made public, the authorised person would check with the relevant internal department of the Company to ensure the truthfulness of its contents. The Directors, Supervisors and employees in possession of sensitive information of the Company would also strictly comply with the internal regulations and guidelines on information disclosure and trading of shares. According to such requirements, in the event that the Company is aware of any inside information or a false market may be formed, the Company shall disclose such information to the public as soon as reasonably practicable.

## SHAREHOLDERS' RIGHTS

To safeguard Shareholders' interests and rights, a separate resolution will be proposed for each issue at the general meetings of the Company, including the election of individual Directors. All resolutions put forward at general meetings will be voted on by poll pursuant to the provisions of the Listing Rules and the Articles of Association, and poll results will be posted on the websites of the Company and the Hong Kong Stock Exchange in a timely manner after each general meeting.

### Convening an Extraordinary General Meeting

An extraordinary general meeting shall be convened within two months from the date of occurrence of one of the following circumstances:

- (1) the number of directors is less than the number required by the PRC Company Law or less than two-thirds of the number stipulated in the Articles of Association;
- (2) the outstanding loss of the Company has reached one-third of the total paid-up capital;
- (3) Shareholders who individually or jointly hold 10% or more of the shares of the Company have requested to convene the extraordinary meeting in writing;
- (4) the Board of Directors deems it necessary to convene the meeting;
- (5) the Board of Supervisors proposes to convene the meeting; and
- (6) any other circumstances as stipulated by the laws, administrative regulations, departmental rules or the Articles of Association.

The shareholding mentioned in item (3) of the preceding paragraph shall be determined at the close of trading on the date on which such Shareholders demand to convene the meeting in writing, or if it is not a trading day, the last trading day prior to such date.

# CORPORATE GOVERNANCE REPORT

## Put Forward Proposals at General Meetings

When the Company convenes the general meeting, the Board of Directors, the Board of Supervisors and the Shareholders individually or jointly holding not less than 5% (inclusive) of the total number of shares carrying voting rights of the Company shall have the right to put forward proposals to the Company in writing. The Company shall include the matters falling within the scope of duties of the general meeting set out in the proposal in the agenda of the meeting.

Shareholders individually or jointly holding not less than 5% of the shares of the Company may submit an interim proposal to the convener of the general meeting in writing ten days prior to the date of the general meeting. The convener shall issue a supplementary notice of the general meeting to notify other Shareholders within two days upon receipt of the proposal, and shall include the matters falling within the scope of duties of the general meeting set out in the proposals in the agenda of the meeting and submit to the general meeting for consideration.

## Enquiries to the Board of Directors

Shareholders who intend to put forward their enquiries about the Company to the Board of Directors may send their enquiries to the Company's headquarters through email at [ir1697@luxin.cn](mailto:ir1697@luxin.cn).

## CONVENING OF GENERAL MEETING OF THE YEAR

### Subjects of General Meeting and the Content of Resolutions

The Company held the 2022 annual general meeting on 14 June 2023, and considered and approved resolutions including 2022 Work Report of the Board of Directors, 2022 Work Report of the Independent Directors, 2022 Work Report of the Board of Supervisors, 2022 Financial Report, 2022 Profit Distribution Plan, the proposed amendments to the Articles of Association and the proposed re-appointment of the domestic auditor and the appointment of the overseas auditor.

The Company held the 2023 first extraordinary general meeting on 31 October 2023, and considered and approved the resolutions including the revision of the existing annual caps for the Lucion Group Trust Framework Agreement and the proposed appointment of independent non-executive Directors.

The Company held the 2023 second extraordinary general meeting and class meetings on 28 November 2023, and considered and approved resolutions including the proposed appointment of executive Director, the proposed amendments to the Articles of Association, procedural rules for the general meeting, procedural rules for the Board of Directors and the procedural rules for the Board of Supervisors.

# CORPORATE GOVERNANCE REPORT

## PERFORMANCE OF DUTIES BY THE BOARD OF DIRECTORS AND ITS COMMITTEES

### Board of Directors

The Company convened the 28th meeting of the third session of the Board of Directors by way of physical meeting on 28 March 2023, at which the Resolution on the 2022 Work Report of the General Manager, the Resolution on the 2022 Financial Report of SITC (Draft) and other resolutions were considered and approved;

The Company convened the 29th meeting of the third session of the Board of Directors by way of physical meeting on 23 May 2023, at which the Resolution on the Adoption of Chinese Accounting Standards for Business Enterprises, Change of Domestic and Overseas Auditors, and Engagement of Audit Institution for the Company's Annual Report Audit and Interim Review in 2023 (Draft), the Resolution on Optimising the Company's Major Business Decision-making Mechanism and other resolutions were considered and approved;

The Company convened the 30th meeting of the third session of the Board of Directors by way of physical meeting on 13 June 2023, at which the Resolution on the Interim Evaluation Report of the "14th Five-Year Plan" of Shandong International Trust Co., Ltd. was considered and approved;

The Company convened the 31st meeting of the third session of the Board of Directors by way of physical meeting on 16 August 2023, at which the Resolution on the Amendments to Certain Provisions of the "Administrative Measures for Related Transactions of Shandong International Trust Co., Ltd.", the Resolution on Reviewing the "Implementation Plan of SITC Consumer Protection 'Three Arrows' Special Action to Consolidate Quality" and other resolutions were considered and approved;

The Company convened the 32nd meeting of the third session of the Board of Directors by way of physical meeting on 29 August 2023, at which the Resolution on the Analysis Report on the Company's Economic Operation in the First Half of 2023, the Resolution on the Amendments to the Rules of Procedure for the General Manager's Office Meeting of the Company and other resolutions were considered and approved;

The Company convened the 33rd meeting of the third session of the Board of Directors by way of correspondence meeting on 8 September 2023, at which the Resolution on Shandong Financial and Luxin Capital's Subscription to Shandong Trust • Shanhuquan No. 28 Collective Fund Trust Scheme and other resolutions were considered and approved;

The Company convened the 34th meeting of the third session of the Board of Directors by way of physical meeting on 12 October 2023, at which the Resolution on the Yuerong No. 26 Disposal Plan by Shandong International Trust Co., Ltd. and other resolutions were considered and approved;

The Company convened the 35th meeting of the third session of the Board of Directors by way of physical meeting on 10 November 2023, at which the Resolution on Proposed Election of Executive Director(s) of Shandong International Trust Co., Ltd. (Draft), the Resolution on the Amendments to the Articles of Association, Rules of Procedure of Shareholders' Meeting, Rules of Procedure of Board of Directors and Rules of Procedure of Trust Committee of the Board of Directors (Draft) and other resolutions were considered and approved;

# CORPORATE GOVERNANCE REPORT

The Company convened the 36th meeting of the third session of the Board of Directors by way of physical meeting on 28 November 2023, at which the Resolution on the Election of Chairman of Shandong International Trust Co., Ltd., the Resolution on the Company's Work in the First Three Quarters of 2023 and other resolutions were considered and approved;

The Company convened the 37th meeting of the third session of the Board of Directors by way of physical meeting on 13 December 2023, at which the Resolution on the Dismissal of Deputy General Manager (Professional Manager) Qi Guanyi and other resolutions were considered and approved;

The Company convened the 38th meeting of the third session of the Board of Directors by way of correspondence meeting on 27 December 2023, at which the Resolution on the Performance Appraisal of the Company's Operation Members for 2022 and other resolutions were considered and approved.

## Committees under the Board of Directors

In 2023, the Audit Committee convened 4 meetings to consider and report to the Board of Directors on the Resolution on the 2022 Financial Report of SITC (Draft), the Resolution on the Adoption of Chinese Accounting Standards for Business Enterprises, Change of Domestic and Overseas Auditors, and Engagement of Audit Institution for the Company's Annual Report Audit and Interim Review in 2023 (Draft), etc., and provided important comments and recommendations on audit plans, financial statements, internal auditing, and internal controls.

In 2023, the Trust Committee (currently named as Trust and Consumer Rights Protection Committee) convened 3 meetings to consider and approve and report to the Board of Directors on the Report on the Maturity Payment and Beneficiary Benefit Realisation of the Trust Business in 2022 (Draft), the Report on the Duty Performance of the Trust Committee in 2022 (Draft), etc., and provided rational suggestions for the development of the trust business, protection of rights of consumers, popularisation of trust knowledge and investor education.

In 2023, the Strategies and Risk Management Committee convened 3 meetings to consider and report to the Board of Directors on the Report on Compliance Risk Management Assessment for 2022 (Draft), the Report on Anti-Money Laundering Management for 2022 (Draft), etc., and provided recommendations on the long-term development strategies and risk management of the Company based on the regulatory policies and industry development trend.

In 2023, the Nomination and Remuneration Committee convened 7 meetings to review the structure of the Board of Directors, assess the independence of independent Directors, and consider and report to the Board of Directors on the Report on the Performance of Duties of the Nomination and Remuneration Committee in 2022 (Draft), the Report on the Implementation of the Salary Recovery and Rebate Mechanism in 2022 (Draft), etc.

In 2023, the Related Party Transaction Control Committee convened 5 meetings to consider and approve and report to the Board of Directors on issues related to related party transactions including the Report on the Performance of Duties of the Related Party Transaction Control Committee in 2022 (Draft) and the Report on the Management of Related Party Transactions in 2022 (Draft), and provided reasonable proposals on the administrative measures for related party transactions.

# CORPORATE GOVERNANCE REPORT

The Nomination and Remuneration Committee reviewed and assessed the composition of the Board of Directors and the independence of independent non-executive Directors, and offered recommendations to the Board of Directors on appointment of new Directors of the Company. In recommending candidates for appointment to the Board of Directors, the Nomination and Remuneration Committee will select candidates on merit against objective criteria and with due regards to the diversity on the Board of Directors, including, but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge, length of service term, and time to be invested in as a Director. The Company will also consider its own business model and special needs from time to time. The final decision will be made based on the contributions and strengths that the designated candidates may bring to the Board of Directors.

Members of each of the committees attended the above meetings.

## IMPLEMENTATION OF MATTERS PROPOSED AND AUTHORISED IN THE GENERAL MEETING

During the Reporting Period, the Board of Directors diligently implemented the resolutions of general meeting and the authorised matters of the general meeting. There was no violation of national laws, regulations and the Articles of Association and any acts which would violate the interests of the Company.

## PERFORMANCE OF DUTIES OF THE BOARD COMMITTEES

During the Reporting Period, all Board Committees diligently performed their duties and played an active role in strengthening the internal management of the Company and promoting the development of the business of the Company.

## PERFORMANCE OF DUTIES OF THE INDEPENDENT DIRECTORS

During the Reporting Period, each of the independent Directors actively took part in the board meetings and general meetings, conscientiously reviewed various proposals and reports, took the initiative to participate in discussions of the Company's major decision-making matters, and independently and objectively expressed professional advice and recommendations on the Company's operation and management tasks, and conducted a comprehensive supervision and inspection on the Company's daily business, management and operation, performance of duties by the Board of Directors and senior management as well as implementation of the Company's internal management system, thereby effectively safeguarding the legitimate interests of the Company and Shareholders as a whole.

## AMENDMENTS TO THE ARTICLES OF ASSOCIATION

For details of the amendments to the Articles of Association, please refer to the section headed "Significant Events" in this annual report.

# REPORT OF THE BOARD OF DIRECTORS

## PRINCIPAL BUSINESSES AND BUSINESS REVIEW

The principal businesses of the Company are to provide trust business and proprietary business. The Company's business operations and business review as required by Schedule 5 to the Companies Ordinance are set out in the relevant sections in this annual report, including "Chairperson's Statement", "Management Discussion and Analysis", "Corporate Governance Report", "Significant Events", "Notes to the Consolidated Financial Statements" and this "Report of the Board of Directors".

In particular, please refer to "Business Overview", "Environment Overview", "Risk Management", "Future Prospect" and "Key Tasks for 2024" under the section headed "Management Discussion and Analysis" in this annual report for the business review, discussion and analysis of the performance for the year, principal risks and uncertainties and future business development of the Company. Please refer to "Financial Overview" under the section headed "Management Discussion and Analysis" for analysis of the key financial performance indicators of the Company. Please refer to "Risk Management" under the section headed "Management Discussion and Analysis" for the relevant laws and regulations compliance of which would have a significant impact on the Company. Please refer to "Human Resources Management" under the section headed "Corporate Governance Report" in this annual report and "Major Clients and Suppliers" in this section for the Company's relationships with its employees, clients and parties who have a significant impact on the Company.

## RESULTS

The results of the Company for the year ended 31 December 2023 are set out in the independent auditor's report.

## PRINCIPAL RISKS AND UNCERTAINTIES

Save as "Management Discussion and Analysis" and "Chairperson's Statement", for the principal risks and uncertainties that the Company required to disclose under the Companies Ordinance, please refer to "Risk Management" under the section headed "Management Discussion and Analysis" in this annual report.

## PROFITS AND DIVIDENDS DISTRIBUTION

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

# REPORT OF THE BOARD OF DIRECTORS

Pursuant to the applicable laws and regulations and the Articles of Association, the Company will pay dividends from profits after tax only subsequent to the following distributions:

- (1) make up for the loss in the previous year (if any);
- (2) appropriate an amount equivalent to 10% of profits after tax to statutory reserve. When aggregate amount reaches 50% of the registered capital of the Company, no appropriation to statutory reserve is necessary;
- (3) appropriate an amount not less than 5% of profits after tax to trust compensation reserve. When aggregate amount reaches 20% of the registered capital of the Company, the Company needs not to withdraw additional funds to the reserve; and
- (4) appropriate funds (if any) to any surplus reserve approved by Shareholders at the general meeting.

As required by the Ministry of Finance, the Company must maintain the general reserve as an integral part of reserve of the Company by appropriating profits after tax, being an amount not less than 1.5% of the balance of risk assets. Distributable profits not distributed in any given year will be reserved and available for distribution in subsequent years.

Pursuant to the recovery and disposal plan considered and approved at the 2018 second extraordinary general meeting and the recovery plan and recommendation on disposal plan considered and approved at the 2022 first extraordinary general meeting of the Company (the “**Recovery and Disposal Plan**”), in case of critical risks, the Company may reduce the profit to be distributed or hold off the distribution of profit, and, where necessary, either carry out asset restructuring in order to resolve risks or to use the profit distributed to Shareholders whose qualifications as shareholders were approved by the State Administration of Financial Supervision and its local office, which refer to holders of the domestic Shares of the Company and the Shareholders who hold circulating stock of the Company representing 5% or above of the total issued shares of the Company, in previous years for capital replenishment or risk mitigation, as to enhance the Company’s ability to withstand risks.

The details of the Company’s profits for the year ended 31 December 2023 are set out in the section headed “Management Discussion and Analysis – Financial Overview” in this annual report.

In order to enhance the capital reserve of the Company, the Company didn’t declare the final dividend for 2023.

## RESERVES AND DISTRIBUTABLE RESERVES

The details of the changes in the reserves of the Company for the year ended 31 December 2023 are set forth in Note VI.28 to the audited consolidated financial statements, and in the consolidated statement of changes in shareholder’s equity on page 182 to 187, respectively.

# REPORT OF THE BOARD OF DIRECTORS

## FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Company for the past five financial years is set out on page 21 of this annual report. Such summary does not form part of the audited consolidated financial statements.

## DONATIONS

For the year ended 31 December 2023, the Company made no charity donations and other donations.

## FIXED ASSETS

None of the properties held by the Company had any percentage ratios (as defined under Rule 14.04(9) of the Listing Rules) of more than 5%. Details in relation to the changes in fixed assets of the Company for the year ended 31 December 2023 are set out in Note VI.9 "Fixed assets" to the consolidated financial statements.

## SHARE CAPITAL AND PUBLIC FLOAT

Details of the share capital and capital reserves of the Company for the year ended 31 December 2023 are set out in Note VI.23 and VI.24 to the consolidated financial statements in this annual report.

As at 31 December 2023, the issued shares of the Company was 4,658,850,000 shares (of which 3,494,115,000 were Domestic Shares and 1,164,735,000 were H Shares). Based on the information that is publicly available to the Company and to the best knowledge of the Directors, at least 25% (being the minimum public float prescribed by the Hong Kong Stock Exchange and the Listing Rules) of the Company's total issued share capital were held by the public from the Listing Date and up to the date of this annual report.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

## PRE-EMPTIVE RIGHTS

The Articles of Association do not contain any mandatory provision regarding pre-emptive rights. Pursuant to the Articles of Association, the Company may increase its registered capital by issuing shares by public or non-public offering, issuing shares to the existing Shareholders (except holders of preference shares), converting capital reserve to share capital or using other methods as allowed by applicable laws and administrative regulations or approved by relevant authorities.

# REPORT OF THE BOARD OF DIRECTORS

## MAJOR CLIENTS AND SUPPLIERS

For the year ended 31 December 2023, the aggregate remuneration of the Company's top five trust schemes in terms of trustee's remunerations accounted for less than 30% of the Company's total fee and commission income during the relevant period.

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

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

## MAJOR INVESTMENTS NOT FINANCED BY FUND-RAISING

For the year ended 31 December 2023, the Company did not have any major investment not financed by fund-raising.

## BORROWINGS

The Company's borrowings as at 31 December 2023 amounted to approximately RMB974.8 million. Details of the borrowings are set out in Note VI.15 to the consolidated financial statements.

## DIRECTORS AND SUPERVISORS

The details of the biographical details of Directors, Supervisors and Senior Management are set out in the section headed "Directors, Supervisors and Senior Management" on pages 86 to 102 of this annual report.

## INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

Each of the independent non-executive Directors has confirmed his/her independence during the Reporting Period pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors to be independent pursuant to Rule 3.13 of the Listing Rules.

# REPORT OF THE BOARD OF DIRECTORS

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

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

## **REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT**

The distribution proposal of the remuneration of senior management shall be reviewed and approved in the board meetings while the remuneration of Directors and Supervisors shall be reviewed and approved in the general meetings of the Company. For details of the specific remuneration standards, please refer to "Annual Remuneration" under the section headed "Directors, Supervisors and Senior Management" in this annual report.

Under the remuneration policy of the Company, in assessing the amount of remuneration payable to the Director, Supervisors and senior management, the Nomination and Remuneration Committee will consider factors such as the salaries paid by comparable companies and the tenure, commitment, responsibilities and individual performance of the Directors, Supervisors and the senior management (as the case may be).

## **TERMS AND SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS**

According to the Articles of Association, the terms of service of both the Directors and the Supervisors are for three years, and all Directors and Supervisors are subject to re-appointment or re-election upon the expiry of their term.

Each of the executive Directors, non-executive Directors, independent non-executive Directors and Supervisors has entered into a service contract with a term of three years with the Company. None of the Directors or Supervisors have entered into a service contract with the Company with a term specifying that if the Company terminates the contract within one year, the Company has to make compensation apart from statutory compensation. Details of the remuneration of the Directors, Supervisors and the five highest paid individuals of the Company are set out in Note XVI.2 to the consolidated financial statements.

# REPORT OF THE BOARD OF DIRECTORS

## **DIRECTORS' INTERESTS IN BUSINESSES THAT COMPETE WITH THE BUSINESSES OF THE COMPANY**

Each of the Controlling Shareholders and Directors confirms that he, or she does not have any interest in a business, apart from the business of the Company, which competes or is likely to compete, directly or indirectly, with our businesses, which would require disclosure under Rule 8.10 of the Listing Rules.

## **DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES OR DEBENTURES**

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

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

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

## **PERMITTED INDEMNITY PROVISION**

According to the Articles of Association, upon the approval at the general meeting of the Company, the Company may set up a professional liability insurance system for its Directors, Supervisors or senior management. A liability insurance has been in place to protect the Directors, Supervisors and senior management against any potential liability arising from the Company's businesses which such Directors, Supervisors or senior management may be held liable for.

During the Reporting Period, there has been no permitted indemnity provision, expired or being in force, for the benefit at any of the Directors of the Company (whether made by the Company or not).

# REPORT OF THE BOARD OF DIRECTORS

## **FINANCIAL, BUSINESS AND FAMILY RELATIONSHIP BETWEEN MEMBERS OF THE BOARD OF DIRECTORS**

Members of the Board of Directors had no relationship including financial, business, family or other material relationships, with each other.

## **MANAGEMENT CONTRACTS**

Save as the service contracts of the management of the Company, no contracts concerning the management and administration of the whole or any substantial part of the business of the Company have been entered into.

## **RETIREMENT AND EMPLOYEE BENEFITS SCHEME**

As required by the PRC regulations, we participate in social insurance schemes operated by the relevant local government authorities and provide employees with various social insurance, including pension insurance, medical insurance, work – related injury insurance, unemployment insurance, maternity insurance and housing provident fund. Details of the retirement and employee benefits scheme of the Company are set out in Note VI.16 to the consolidated financial statements. There was no forfeited contribution available to reduce the contribution payable by the Company under the above schemes.

## **EQUITY-LINKED AGREEMENT**

During the Reporting Period, the Company had not entered into or renewed any equity-linked agreement.

## **SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES**

For details, please refer to the section headed “Changes in Share Capital and Shareholdings of Substantial Shareholders” in this annual report.

# REPORT OF THE BOARD OF DIRECTORS

## CONTINUING CONNECTED TRANSACTIONS

### I. Continuing Connected Transactions Subject to the Annual Reporting and Announcement Requirements

The Company has entered into the following transactions. The transactions are made on normal commercial terms where, as the Directors currently expect, calculated on an annual basis, (i) the highest relevant “percentage ratio” (other than the profits ratio) calculated under Chapter 14A of the Listing Rules will be more than 0.1% but less than 5%, and (ii) the total consideration will be more than HK\$3,000,000, in each case calculated on an annual basis. Such transactions are exempted from the circular (including independent financial advice) and the Independent Shareholders’ approval requirements pursuant to Chapter 14A.76(2) of the Listing Rules but are subject to the annual reporting, annual audit and announcement requirements under Chapter 14A of the Listing Rules.

#### 1. *Management of Assets entrusted by CNPC Assets Management and/or its associates*

Since the Listing Date, the Company has entered into a trust framework agreement with CNPC Assets Management (the “**CNPC Assets Management Trust Framework Agreement**”) and renewed such agreement on 30 November 2022, pursuant to which the Company and CNPC Assets Management (for itself and on behalf of its associates) agreed to conduct CNPC trust transactions on normal commercial terms and in accordance with the pricing policy set out therein, and to provide trust services to CNPC Assets Management and its associates. The renewed CNPC Assets Management Trust Framework Agreement was entered into on normal commercial terms and took effect on 1 January 2023 for a term of three years. The Company has determined annual caps for the three years ending 31 December 2023, 2024 and 2025.

Since CNPC Assets Management is our Substantial Shareholder, it is a connected person of the Company under Chapter 14A of the Listing Rules.

#### 2. *Provision of Loans or Financing to Lucion Group and/or its Associates by Trusts Managed by the Company*

Since the Listing Date, the Company has entered into a trust financing framework agreement with Lucion Group (the “**Lucion Group Trust Financing Framework Agreement**”) and renewed such agreement on 30 November 2022, pursuant to which the Company and Lucion Group (for itself and on behalf of its associates) agreed to conduct loan and financing transactions on normal commercial terms and in accordance with the pricing policy set out therein. The renewed Lucion Group Trust Financing Framework Agreement was entered into on normal commercial terms and took effect on 1 January 2023 with a term of three years. The Company has determined annual caps for the three years ending 31 December 2023, 2024 and 2025.

Lucion Group is our Controlling Shareholder, and hence a connected person of the Company under Chapter 14A of the Listing Rules.

# REPORT OF THE BOARD OF DIRECTORS

### 3. *Information Technology Service Framework Agreement entered into with Lucion Science and Technology Co., Ltd.*

Since the Listing Date, the Company has entered into an information technology service framework agreement (the “**Information Technology Service Framework Agreement**”) with Lucion Science and Technology Co., Ltd. and renewed such agreement on 30 November 2022, whereby the Company engaged Lucion Science and Technology Co., Ltd. to provide information technology services to the Company, including system maintenance, research and development and consulting services in relation to information technology systems and administrative services involving information technology work. Lucion Science and Technology Co., Ltd. shall also assist the Company in the procurement of software and hardware equipment. The renewed Information Technology Service Framework Agreement was entered into on normal commercial terms and took effect on 1 January 2023 for a term of three years. The Company has determined annual caps for the three years ending 31 December 2023, 2024 and 2025.

Lucion Science and Technology Co., Ltd. is a non-wholly owned subsidiary of our Controlling Shareholder, Lucion Group, and hence is a connected person of the Company under Chapter 14A of the Listing Rules.

### 4. *Financial Services provided to the Company by Lucion Group and/or its Associates*

The Company entered into the financial service framework agreement (the “**Financial Service Framework Agreement**”) with the Lucion Group on 30 November 2022, pursuant to which, Lucion Group and/or its associates provides financial services to the Company and/or the trust schemes managed by the Company, and receives remuneration from such financial services from the Company and/or the trust schemes managed by the Company. The Financial Service Framework Agreement took effect on 1 January 2023 for a term of three years. The Company has determined annual caps for the three years ending 31 December 2023, 2024 and 2025.

Lucion Group is our Controlling Shareholder, and hence a connected person of the Company under Chapter 14A of the Listing Rules.

# REPORT OF THE BOARD OF DIRECTORS

## II. Continuing Connected Transactions Subject to the Annual Reporting, Announcement, Circular and Independent Shareholders' Approval Requirements

The Company has entered into the following transactions. The Company has entered into the following transactions. As the Directors currently expect, at least one of the relevant "percentage ratios" (other than the profits ratio) calculated for the purpose of Chapter 14A of the Listing Rules will be more than 5%, such transactions are subject to the annual reporting, annual review, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

### 1. *Management of Assets Entrusted by Lucion Group and/or its Associates*

Since the Listing Date, the Company has entered into a trust framework agreement with Lucion Group (the "**Lucion Group Trust Framework Agreement**") and renewed the Lucion Group Trust Framework Agreement on 30 November 2022, pursuant to which the Company and Lucion Group (for itself and on behalf of its associates) agreed to conduct trust transactions on normal commercial terms and in accordance with the pricing policy set out therein, and to provide trust services to Lucion Group and its associates. The renewed Lucion Group Trust Framework Agreement was entered into on normal commercial terms and took effect on 1 January 2023 for a term of three years. The Company has determined annual caps for the three years ending 31 December 2023, 2024 and 2025. In August 2023, the Board considered amending and increasing the existing annual caps under the renewed Lucion Group Trust Framework Agreement, and the amendment of the existing annual caps was approved by the Shareholders at the first extraordinary general meeting for the year 2023.

Lucion Group is our Controlling Shareholder, and hence a connected person of the Company under Chapter 14A of the Listing Rules.

# REPORT OF THE BOARD OF DIRECTORS

The following table sets forth the respective annual caps and actual amounts for the non-exempt continuing connected transactions of the Company for the year ended 31 December 2023:

Continuing connected transactions	Annual caps for the year ended 31 December 2023	Actual amounts for the year ended 31 December 2023
	(RMB in thousands)	
<b>I. Continuing Connected Transactions Subject to the Annual Reporting and Announcement Requirements</b>		
1. Management of Assets entrusted by CNPC Assets Management and/or its associates Trustee's remuneration to be received from the trusts of which CNPC Assets Management and its associates are trustors	50,000	–
Maximum outstanding balance of the assets and funds to entrusted by CNPC Assets Management and its associates	5,000,000	–
2. Provision of Loans or Financing to Lucion Group and/or its Associates by Trusts Managed by the Company Trustee's remuneration to be received from the trusts providing financing to Lucion Group and its associates	35,000	10,491
Outstanding balance (including interests accrued thereon) of the loans or financing to Lucion Group and its associates	3,500,000	659,397
3. Information Technology Service Framework Agreement entered into with Lucion Science and Technology Co., Ltd. Amount of consultancy fee paid to Lucion Science and Technology Co., Ltd.	7,000	4,502
4. Financial Services provided to the Company by Lucion Group and/or its Associates Amount of financial services payable to the Lucion Group and/or its Associates for the provision of financial services	40,000	4,443
<b>II. Continuing Connected Transactions Subject to the Annual Reporting, Announcement, Circular and Independent Shareholders' Approval Requirements</b>		
1. Management of Assets Entrusted by Lucion Group and/or its Associates Trustee's remuneration to be received from the trusts of which Lucion Group and/or its associates are trustors	120,000	4,680
Maximum outstanding balance of the assets and funds to be entrusted by Lucion Group and its associates	12,000,000	7,921,975

# REPORT OF THE BOARD OF DIRECTORS

## ***Confirmation from independent non-executive Directors***

The independent non-executive Directors have reviewed the above continuing connected transactions during the Reporting Period, and confirmed such transactions have been:

- (1) entered into in the ordinary and usual course of business of the Company;
- (2) entered into on normal or better commercial terms; and
- (3) conducted in accordance with the relevant agreement whose terms are fair and reasonable and in the interests of the Shareholders as a whole.

## ***Letter from the auditor***

The auditors of the Company have performed certain planned audit procedures for the above continuing connected transactions entered into by the Company for the year ended 31 December 2023, and concluded that such transactions:

- (1) have been approved by the Board of Directors;
- (2) have followed the pricing policies of the Company in all material aspects;
- (3) were conducted in accordance with the relevant agreements for such transactions in all material aspects; and
- (4) have an aggregate amount not exceeding the relevant cap disclosed in the annual report.

## **III. Fully Exempt Continuing Connected Transactions**

The Company has entered into the following transactions: (1) the trademark licensing agreement entered into with Lucion Group; and (2) individual connected persons' personal investment in trusts managed by the Company. The transactions are made on normal commercial terms and are to be exempted from the annual reporting, annual review, announcement, circular and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. For details on the above fully exempt continuing connected transactions, please refer to "Fully Exempt Continuing Connected Transactions" of the section headed "Connected Transactions" in the Prospectus.

# REPORT OF THE BOARD OF DIRECTORS

## RELATED PARTY TRANSACTIONS

Please refer to Note XII to the consolidated financial statements in this annual report for details of the significant related party transactions pursuant to PRC Accounting Standards for Business Enterprises. For the connected transactions and continuing connected transactions pursuant to the requirements of the Listing Rules, please refer to the disclosure set out in this section. Save as disclosed in this section, other related party transactions disclosed in Note XII are not considered as connected transactions, or are exempted from the reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules.

## COMPLIANCE WITH NON-COMPETITION UNDERTAKING

Lucion Group has undertaken to the Company on 16 November 2017 (the “**Non-competition Undertaking**”), that it, as a Controlling Shareholder, it will not and will procure its close associates (except for the Company and its subsidiaries (if any)) not to, carry on, engage in, invest in, participate in, attempt to participate in, provide any services to, provide any financial support to, or otherwise be involved or interested in any business which compete or are likely to compete, alone or with other persons, directly or indirectly, representing or assisting or acting in concert with other persons, with our businesses (the “**Restrained Businesses**”) within the PRC (the “**Restrained Area**”), for this purpose only excluding Hong Kong, Macau and Taiwan.

The Non-competition Undertaking does not apply to (i) any shareholding in the Company and its subsidiaries (if any); (ii) the shareholdings of and the businesses operated by Lucion Venture Capital (which is listed on the Shanghai Stock Exchange) and Lucion Culture Venture Capital Co., Ltd.; and (iii) the holding of securities in a company that is engaged in the Restrained Businesses and whose securities are listed on any stock exchange, provided that Lucion Group or its close associates do not individually or in aggregate hold or control the voting rights in respect of 10% or more of its issued share capital and does not have any right to control the composition of the Board of Directors in any manner.

Lucion Group has provided written confirmation to the Company, confirming that it has been in compliance with the Non-competition Undertaking for the year ended 31 December 2023. Independent non-executive Directors have reviewed the compliance conditions, and confirmed that the Controlling Shareholder has complied with the Non-competition Undertaking.

## COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the Reporting Period, the Company has complied with the relevant laws and regulations which are material to its business and operation in all material respects, and has obtained all material qualifications and permits necessary for its operation in accordance with relevant laws and regulations.

# REPORT OF THE BOARD OF DIRECTORS

## ENVIRONMENTAL POLICY

Environmental protection is a collective responsibility for every member of the society. The Company is committed to enhancing our environmental performance and raising the environmental awareness of the relevant stakeholders. To minimise the impact of our business operations on the environment, the Company has adopted measures to reduce the consumption of energy and natural resources, to reduce waste, and to use environmentally friendly products and materials if possible.

Pursuant to Rule 13.91 of the Listing Rules, the Company will publish an Environmental, Social and Governance (“ESG”) Report concurrently with the publication of this annual report in compliance with the provisions set out in the ESG Reporting Guide in Appendix C2 to the Listing Rules. This report, together with this annual report, are available on the website of the Hong Kong Stock Exchange and the Company’s website ([www.sitic.com.cn](http://www.sitic.com.cn)).

## AUDIT COMMITTEE

The Audit Committee has reviewed the annual results of the Company for the year ended 31 December 2023 and the financial statements for the year ended 31 December 2023 prepared in accordance with the PRC Accounting Standards for Business Enterprises.

## AUDITORS

During the Reporting Period, the Board of Directors proposed to change the basis of preparation of the Company’s financial statements from being prepared in accordance with IFRSs and CASBE and applicable laws and regulations at the same time to being prepared in accordance with CASBE and applicable laws and regulations only. The proposed adoption of CASBE and the relevant 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 became effective from 11 August 2023 when the Shandong Supervisory Bureau of the State Administration of Financial Supervision approved the relevant amendments to the Articles of Association.

In view of the above changes in the standards for the preparation of the Company’s financial statements, the Board of Directors proposed to change the Company’s foreign auditor from SHINEWING (HK) CPA Limited to ShineWing Certified Public Accountants (Special General Partnership). ShineWing Certified Public Accountants (Special General Partnership) is a certified public accounting firm approved by the Ministry of Finance and the China Securities Regulatory Commission (CSRC), and is qualified to provide audit services to enterprises incorporated in the Mainland and listed in Hong Kong by adopting CASBE. Following the proposed change of foreign auditor was approved by the shareholders at the 2022 annual general meeting held on 14 June 2023, ShineWing Certified Public Accountants (Special General Partnership) became the sole auditor to audit the financial statements of the Company in accordance with CASBE and assumed the duties of the foreign auditor in accordance with the Listing Rules, and its term of office became effective from the conclusion of the 2022 annual general meeting, until the conclusion of the next annual general meeting of the Company.

ShineWing Certified Public Accountants (Special General Partnership) was appointed as the auditor to audit the financial information for the year ended 31 December 2023 prepared in accordance with CASBE. The enclosed financial statements prepared in accordance with CASBE has been audited by ShineWing Certified Public Accountants (Special General Partnership).

# REPORT OF THE BOARD OF DIRECTORS

## COMPOSITION OF THE BOARD OF DIRECTORS

As at the date of this report of the Board of Directors, the composition of the Board of Directors is as follows:

Executive Directors: Mr. Yue Zengguang and Mr. Fang Hao;

Non-executive Directors: Mr. Wang Zengye, Mr. Zhao Zikun and Ms. Wang Bailing; and

Independent Non-executive Directors: Ms. Zhang Haiyan, Mr. Zheng Wei and Ms. Liu Wanwen.

## EVENTS AFTER THE REPORTING PERIOD

Save as disclosed above, the Company had no significant events after the Reporting Period.

By order of the Board of Directors  
*Chairperson*  
**Yue Zengguang**

26 March 2024

# REPORT OF THE BOARD OF SUPERVISORS

## COMPOSITION OF THE BOARD OF SUPERVISORS

As at the end of the Reporting Period, the Board of Supervisors comprised nine members. Pursuant to the Articles of Association, at least one-third of our Supervisors must be employee representatives elected at the employee representative meeting. Ms. Li Yan, Mr. Zhang Wenbin and Mr. Wei Xiangyang were elected at the employee representative meeting. While the other Supervisors are elected and appointed at the general meeting. Each of the Supervisors elected by the employee or by the Shareholder is appointed for a term of three years, which is renewable upon re-election and re-appointment.

For details of the incumbent Supervisors, please refer to the section headed "Directors, Supervisors and Senior Management" in this annual report.

## FUNCTIONS AND AUTHORITIES AND OPERATION OF THE BOARD OF SUPERVISORS

Pursuant to the Articles of Association, the functions and powers of the Board of Supervisors include, among other things:

- (1) to examine the financial conditions of the Company, understand the operations of the Company, and undertake the corresponding obligations of confidentiality, and the Board of Supervisors may, in the name of the Company, engage an accounting firm to independently examine the financial conditions of the Company, if necessary;
- (2) to supervise the performance of duties by the Directors and senior management members of the Company and to propose the removal of Directors and senior management members who are in breach of the laws, administrative regulations, the Articles of Association or resolutions of the general meeting;
- (3) to urge Directors and senior management members of the Company to rectify their acts which impair the interests of the Company;
- (4) to propose to convene an extraordinary general meeting, and to convene and preside over general meetings when the Board of Directors fails to perform the duty of convening and presiding over general meeting as stipulated by the PRC Company Law;
- (5) to put forward proposals at the general meetings;
- (6) to negotiate with Directors and senior management of the Company on behalf of the Company, or to initiate lawsuits against Directors and senior management of the Company in accordance with the PRC Company Law;
- (7) to be entitled to require Directors or senior management to attend meetings of the Board of Supervisors to answer questions;
- (8) verify financial information such as financial reports, business reports and profit distribution plans that the Board of Directors intends to submit to the general meeting and, in case any problem is identified, to be able to appoint, in the name of the Company, a registered accountant or practicing auditor to assist in reviewing such information, and the expenses shall be borne by the Company;

# REPORT OF THE BOARD OF SUPERVISORS

- (9) to elect the chairperson of the Board of Supervisors;
- (10) formulate the Procedural Rules for the Board of Supervisors; and
- (11) other functions and powers provided by the applicable laws, regulations and the Articles of Association.

## MEETING OF THE BOARD OF SUPERVISORS

During the Reporting Period, the Board of Supervisors had held 6 meetings and considered and approved 27 resolutions.

The attendance of the Supervisors of the Company at meetings of the Board of Supervisors during the Reporting Period is listed below:

Supervisors	Number of meetings attended/number of attendance required
Guo Shougui	6/6
He Shuguang	3/3
Chen Yong	6/6
Wu Chen	6/6
Wang Zhimei	6/6
Wang Yan	6/6
Zhang Wenbin	6/6
Li Yan	6/6
Wei Xiangyang	6/6
<b>Supervisor who has resigned:</b>	
Hou Zhenkai	3/3

Notes:

- (1) Attendance includes on-site attendance and attendance through electronic means such as telephone and video conferencing.
- (2) For changes of Supervisors, please refer to "Directors, Supervisors and Senior Management – Changes of Supervisors".

# REPORT OF THE BOARD OF SUPERVISORS

## WORK OF BOARD OF SUPERVISORS

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

### Performance Supervision

By attending meetings of the Board of Directors and its special committees, General Manager's Office meetings and other relevant meetings, the Board of Directors of Supervisors carried out continuous supervision over Directors, Supervisors and senior management's lawful operation and decision-making procedures for major issues, get informed of operation decisions of the Company and information about operation and management. It also reinforced its supervision over Directors, Supervisors, senior management as well as the execution of resolutions of the general meeting, the Board of Directors and the Board of Supervisors by carrying out investigations and studies, conducting visits and interviews and reviewing documents and information. Pursuant to the relevant regulatory requirements, it conducted annual performance reviews, and issued evaluation reports on the performance of Directors, Supervisors and senior management.

### Financial Supervision

The Board of Supervisors supervised the regular periodic with the focus on truthfulness, accuracy and completeness of the financial reports, reviewed the annual audit plan, interim review plan and relevant implementation reports carefully, and guided external audit work.

### Internal Control Supervision

The Board of Supervisors closely monitored the establishment and implementation of the internal control system, the problems identified during the internal audit and the implementation of the rectification of such problems identified.

### Risk Supervision

The Board of Supervisors was particularly focused on a sound and organised implementation of the Company's risk management system, providing relevant opinions and suggestions on the implementation of the risk prevention and control work and improvement and perfection of the risk management system.

### Internal Matters

Under the changes to regulatory policies and the Company's development needs, the Board of Supervisors continuously improved its work competence and level of supervision through trainings, workplace communication and self-study, and monitored the performance of Supervisors by conducting annual performance reviews.

# REPORT OF THE BOARD OF SUPERVISORS

## INDEPENDENT OPINIONS ISSUED BY THE BOARD OF SUPERVISORS

In accordance with the Articles of Association and relevant regulations, the Board of Supervisors for the year 2023 has discharged its supervisory duties against the performance of the Board of Directors and senior management. Comments on the relevant issues are as follows:

### Opinions on the performance review of Directors and senior management of the Company

The composition of the Board of Directors meets the regulations on corporate governance of trust companies as under both domestic and overseas regulations. The Directors are qualified for their positions and have a diversity of professional backgrounds, offers greater complementarity and possesses independent and professional judgement. During the Reporting Period, the Board of Directors and each committee strictly have complied with requirements of the Articles of Association, the Procedural Rules for the Board of Directors and each committee and the Listing Rules, conducted operations in accordance with applicable laws and regulations, continued to improve the corporate governance structure, and executed resolutions of the general meeting. There were no behaviours that have breached applicable laws and regulations and harmed the interest of Shareholders during the Reporting Period.

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

### Financial report

The financial report for the year of 2023 reflects a fair, true and complete view of the Company's financial position and operating results.

### Relevant advice and work plan for the year 2024

In 2024, the Board of Supervisors and each Supervisor will follow the PRC Company Law, the Guidelines for Governance of Trust Companies and the Articles of Association. The Board of Supervisors, together with its members, will continue to improve on its ability of work and level of supervision, proactively diversifying its mindset and diligently perform its duties, thereby helping the Company improve the corporate governance structure and the internal risk control standard, level insist on operations in compliance with applicable laws and regulations, safeguard the interest of the Company and its Shareholders and realise sustainable and healthy development.

Save as disclosed above, the Board of Supervisors had no objection to other supervisory issues during the Reporting Period.

By order of the Board of Directors  
*Chairperson of the Board of Supervisors*  
**Guo Shougui**

26 March 2024



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## *Financial Reports and Additional Information Disclosure Required by Regulators*

- 162** Independent Auditor's Report
- 303** Additional Information Disclosure  
Required by Regulators
- 313** Definitions
- 316** Glossary of Technical Terms

# INDEPENDENT AUDITOR'S REPORT

	信永中和会计师事务所	北京市东城区朝阳门北大街 8号富华大厦A座9层	联系电话: +86(010)6554 2288 telephone: +86(010)6554 2288
	ShineWing certified public accountants	9/F, Block A, Fu Hua Mansion, No. 8, Chaoyangmen Beidajie, Dongcheng District, Beijing, 100027, P.R.China	传真: +86(010)6554 7190 facsimile: +86(010)6554 7190

## Audit Report

XYZH/2024JNAA3B0041

Shandong International Trust Co., Ltd.

Shareholders of Shandong International Trust Co., Ltd.:

## I. AUDIT OPINIONS

We have audited the financial statements of Shandong International Trust Co., Ltd. ("Shandong International Trust"), including the consolidated and parent company's balance sheets as of 31 December 2023, the consolidated and parent company's income statement, the consolidated and parent company's cash flow statement, the consolidated and parent company's statement of changes in equity for 2023, and the relevant notes to financial statements.

In our opinion, the financial statements, prepared in accordance with the provisions of the Accounting Standards for Business Enterprises in all material respects, present fairly the consolidated and parent company's financial position as of 31 December 2023 and the consolidated and parent company's results of operations and cash flows for the year 2023 of Shandong International Trust.

## II. BASIS FOR AUDIT OPINIONS

We carried out the audit according to the Auditing Standards for Chinese CPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent from Shandong International Trust and have fulfilled the obligations in terms of professional ethics according to Code of Professional Conduct for Chinese CPAs. We believe that the audit evidences we obtained are adequate and proper, and lay a solid foundation for the audit opinion.

## III. KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

# INDEPENDENT AUDITOR'S REPORT

## III. KEY AUDIT MATTERS (CONTINUED)

### 1. Determination of the scope of consolidation

#### The key audit matter

#### How the matter was addressed in our audit

Shandong International Trust has managed or invested in a number of trust schemes. As stated in Note "VIII.1.(2)" to the Financial Statements, as at 31 December 2023, total assets of trust schemes of RMB3.724 billion were consolidated by the Company. When determining whether a structured entity should be included in Shandong International Trust's scope of consolidation, the management considers the rights Shandong International Trust has over the structured entity's relevant activities, the variable returns it is entitled to, and its ability to affect its variable returns through the use of such rights. We have identified the consolidation of the structured entities of Shandong International Trust as a key audit matter due to the significant management judgment involved in determining whether the structured entities should be included in the scope of consolidation of Shandong International Trust and because the consolidation of the structured entities could have a significant impact on the consolidated balance sheet.

We obtained understanding of the management's controls over the consolidation assessment of trust schemes. We selected samples of trust schemes that Shandong International Trust managed and/or invested in these trust schemes, and performed the following procedures on management's assessment of consolidation of trust schemes;

- (1) We understood the purpose and design of the transaction structures, inspected related contract terms and evaluated whether the Company has the practical ability to direct the relevant activities of these trust schemes unilaterally;
- (2) We inspected contract terms from these selected trust schemes, including management fee, direct investment and liquidity support, agreed such information to the corresponding inputs used in management's assessment on the variable returns;
- (3) We reviewed the management's assessment regarding the variable returns to the Company from these trust schemes based on the contract terms;
- (4) We assessed the Company's role as a in the trust schemes as a principal or an agent through analysing the Company's practical ability to use its power to affect its variable returns from the trust schemes, benchmarking the level of variable returns that concludes whether the Company to be a principal against the guidance.

# INDEPENDENT AUDITOR'S REPORT

## III. KEY AUDIT MATTERS (CONTINUED)

### 2. Recognition of impairment of financial assets

#### The key audit matter

#### How the matter was addressed in our audit

As of 31 December 2023, as stated in Note "VI.4.(1)", "VI.6.(1)" and "VI.39" to the Financial Statements, the book balances of Shandong International Trust's loans and advances to customers and debt investments amounted to RMB2,554 million and RMB6,831 million, respectively, and the balances of impairment provision amounted to RMB353 million and RMB2,324 million. In 2023, Shandong International Trust recognized credit impairment losses on loans and advances to customers and debt investments of RMB165 million and RMB309 million in the consolidated income statement, respectively.

We obtained an understanding of the management's approach in calculating ECL and management's key controls over the measurement of ECL for loans and advances to customers and debt investment. We assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors, such as complexity and subjectivity of estimation.

We evaluated and tested the key controls over the measurement of ECL for loans and advances to customers and debt investment. In addition, we have performed the following procedures:

The measurement model for expected credit losses ("ECL") involves significant management judgments and assumptions, including the following:

- Selection of appropriate models and assumptions for measuring ECL;
- The criteria for determining whether credit risk has increased significantly or whether a default or impairment loss has occurred;
- Economic indicators for forward-looking measurement and application of economic scenarios and weights;
- Forecasted future cash flows from loans and advances to customers and debt investment in stage 3.

(1) We reviewed the modelling methodologies for ECL measurement based on industry practice, and assessed the reasonableness of the portfolio segmentation, model selection, key parameters estimation, other significant judgments and assumptions in relation to the modelling;

(2) We assessed management's criteria for determining whether or not there was a significant increase or decrease in credit risk. In addition, we selected samples, in consideration of the financial and non-financial information of the borrowers, relevant external evidence and other factors, to validate the appropriateness of the management's identification of significant increase in credit risk;

(3) For forward-looking measurement, we reviewed the management's model analysis of their selection of economic indicators, economic scenarios and weightings employed, assessed the reasonableness of the prediction of economic indicators;

(4) We examined major data inputs to the ECL Models on selected samples, including historical data and other data at the measurement date, to validate their accuracy and completeness;

# INDEPENDENT AUDITOR'S REPORT

## III. KEY AUDIT MATTERS (CONTINUED)

2. Recognition of impairment of financial assets (Continued)	
The key audit matter	How the matter was addressed in our audit
Estimates of ECL are subject to a high degree of estimation uncertainty. The inherent risks associated with the assessment of impairment losses on loans and advances to customers and debt investment are considered significant due to the complexity of the model, which employs a large number of parameters and data inputs and applies significant management judgment and assumptions. In addition, impairment losses on loans and advances to customers and debt investment recognized during the period were material. For these reasons, we considered it a key audit matter.	(5) We examined, on a sample basis, forecasted future cash flows prepared by the Group based on financial information of borrowers and guarantors, latest collateral valuations and other available information together with discount rates in supporting the computation of loss allowance of loans and advances to customers and debt investment in stage 3.

## IV. OTHER INFORMATION

The Management of Shandong International Trust (the "Management") shall be responsible for the other information. The other information comprises all of the information included in the 2023 annual report of Shandong International Trust other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of the additional information, we are required to report that fact. We have nothing to report in this regard.

# INDEPENDENT AUDITOR'S REPORT

## V. RESPONSIBILITIES OF THE MANAGEMENT AND THE GOVERNANCE TEAM FOR THE FINANCIAL STATEMENTS

The management is responsible for the preparation of financial statements that give a fair view in accordance with the ASBEs and for designing, implementing and maintaining internal control necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management is responsible for assessing Shandong International Trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate Shandong International Trust or to cease operations, or has no realistic alternative but to do so.

The governance team is responsible for supervising the financial reporting process of Shandong International Trust.

## VI. RESPONSIBILITIES OF CPA FOR AUDITING FINANCIAL STATEMENTS

Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report containing an audit opinion. Reasonable assurance is a high level of assurance, but it does not provide assurance that an audit performed in accordance with auditing standards will always detect a material misstatement when one exists. Misstatements may result from fraud or error and are generally considered to be material if there is a reasonable expectation that, individually or in the aggregate, the misstatement could have affected the economic decisions made by users of the financial statements based on the financial statements.

We apply professional judgment and maintain professional skepticism when carrying out the audit according to audit standards. In addition, we execute the following tasks:

- (1) Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, not for the purpose to express opinions on the effectiveness of internal control.
- (3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

# INDEPENDENT AUDITOR'S REPORT

## VI. RESPONSIBILITIES OF CPA FOR AUDITING FINANCIAL STATEMENTS (CONTINUED)

- (4) Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Shandong International Trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Shandong International Trust to cease to continue as a going concern.
- (5) Evaluate the overall presentation, structure and content of the financial statements, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- (6) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within Shandong International Trust to express an opinion on the financial statements. We are responsible for directing, supervising and performing company audits and accept full responsibility for audit observations.

We communicate with the governance team regarding the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the governance team with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**ShineWing Certified Public Accountants (Special General Partnership)**

**Chinese Certified Public Accountant: Wang Gongyong (Engagement Partner)**

**Chinese Certified Public Accountant: Guo Lechao**

Beijing, China

26 March 2024

# CONSOLIDATED BALANCE SHEET

31 December 2023

Prepared by: Shandong International Trust Co., Ltd.

Unit: RMB

Item	Notes	31 December 2023	31 December 2022
<b>Assets:</b>			
Monetary assets	VI•1	283,896,884.51	2,240,590,484.12
Clearing settlement funds			
Precious metals			
Interbank lendings			
Derivative financial assets			
Accounts receivable	VI•2	172,532,366.53	148,127,333.84
Financial assets purchased under resale agreements	VI•3	395,049,249.50	357,260,491.66
Assets classified as held for sale			675,177,700.00
Loans and advances to customers	VI•4	2,201,525,213.77	1,023,971,094.19
<b>Financial investments:</b>			
Financial assets held for trading	VI•5	4,506,454,958.18	4,082,960,835.53
Debt investments	VI•6	4,507,256,604.08	3,832,734,832.93
Other debt investments			
Other equity instrument investments			
Long-term equity investments	VI•7	844,069,102.22	903,107,179.86
Investment properties	VI•8	212,820,911.67	137,608,274.04
Fixed assets	VI•9	42,637,817.33	127,797,634.76
Construction in progress			
Right-of-use assets	VI•10	47,525,901.92	69,561,255.56
Intangible assets	VI•11	40,979,199.34	29,095,856.02
Long-term amortisation expenses	VI•12	20,814,361.23	31,411,425.43
Deferred income tax assets	VI•13	597,414,403.37	558,385,133.18
Other assets	VI•14	295,907,337.56	240,342,741.66
<b>Total assets</b>		<b>14,168,884,311.21</b>	<b>14,458,132,272.78</b>

Legal representative:

Person in charge of  
accounting work:

Person in charge of the  
accounting firm:

# CONSOLIDATED BALANCE SHEET

31 December 2023

Prepared by: Shandong International Trust Co., Ltd.

Unit: RMB

Item	Notes	31 December 2023	31 December 2022
<b>Liabilities:</b>			
Short-term borrowings	VI•15	974,779,055.55	2,005,323,555.59
Interbank borrowings			
Financial liabilities held for trading			
Derivative financial liabilities			
Financial assets sold under repurchase agreements			
Employment benefits payable	VI•16	74,580,027.40	84,252,667.37
Taxes payable	VI•17	119,927,475.98	270,195,144.91
Accounts payable	VI•18	17,560,929.05	19,015,634.00
Contract liabilities	VI•19	18,162,088.23	36,220,691.99
Liabilities held for sale			
Provisions	VI•20	120,809,836.02	
Long-term borrowings			
Bonds payable			
Including: Preferred shares			
Perpetual bonds			
Lease liabilities	VI•21	39,059,410.21	60,356,150.44
Deferred income tax liabilities	VI•13		
Other liabilities	VI•22	1,714,627,528.29	1,048,500,556.93
<b>Total liabilities</b>		<b>3,079,506,350.73</b>	<b>3,523,864,401.23</b>

# CONSOLIDATED BALANCE SHEET

31 December 2023

Prepared by: Shandong International Trust Co., Ltd.

Unit: RMB

Item	Notes	31 December 2023	31 December 2022
<b>Shareholder's equity:</b>			
Share capital	VI•23	4,658,850,000.00	4,658,850,000.00
Other equity instruments			
Including: Preferred shares			
Perpetual bonds			
Capital reserve	VI•24	160,049,183.05	160,049,183.05
Less: treasury stock			
Other comprehensive income	VI•25	-5,253,999.65	-1,730,541.86
Surplus reserve	VI•26	1,002,840,747.87	979,430,230.51
Trust compensation reserve	VI•27	753,171,982.16	729,761,464.80
General risk reserve	VI•27	594,239,495.47	524,007,943.40
Undistributed profit	VI•28	3,925,480,551.58	3,883,899,591.65
<b>Total shareholders' equity attributable to the parent company</b>		<b>11,089,377,960.48</b>	<b>10,934,267,871.55</b>
Minority interests			
<b>Total shareholder's equity</b>		<b>11,089,377,960.48</b>	<b>10,934,267,871.55</b>
<b>Total liabilities and shareholder's equity</b>		<b>14,168,884,311.21</b>	<b>14,458,132,272.78</b>

Legal representative:

Person in charge of  
accounting work:

Person in charge of the  
accounting firm:

# BALANCE SHEET OF THE PARENT COMPANY

31 December 2023

Prepared by: Shandong International Trust Co., Ltd.

Unit: RMB

Item	Notes	31 December 2023	31 December 2022
<b>Assets:</b>			
Monetary assets		233,124,294.77	2,208,303,414.59
Clearing settlement funds			
Precious metals			
Interbank lendings			
Derivative financial assets			
Accounts receivable		189,351,468.14	149,697,751.77
Contractual assets			
Financial assets purchased under resale agreements		395,049,249.50	327,220,863.86
Assets classified as held for sale			675,177,700.00
Loans and advances to customers	XVII • 1	115,626,812.97	107,579,532.54
<b>Financial investments:</b>			
Financial assets held for trading	XVII • 2	4,475,199,213.84	3,914,381,945.07
Debt investments	XVII • 3	3,653,457,256.31	3,832,734,832.93
Other debt investments			
Other equity instrument investments			
Long-term equity investments	XVII • 4	3,154,977,851.76	1,838,851,277.07
Investment properties		78,978,085.00	
Fixed assets		42,637,817.33	127,797,634.76
Construction in progress			
Right-of-use assets		48,892,130.06	72,976,825.83
Intangible assets		40,979,199.34	29,095,856.02
Long-term amortisation expenses		20,814,361.23	31,411,425.43
Deferred income tax assets		596,046,318.33	582,174,257.09
Other assets		204,637,753.15	168,491,865.57
<b>Total assets</b>		<b>13,249,771,811.73</b>	<b>14,065,895,182.53</b>

Legal representative:

Person in charge of  
accounting work:

Person in charge of the  
accounting firm:

# BALANCE SHEET OF THE PARENT COMPANY

31 December 2023

Prepared by: Shandong International Trust Co., Ltd.

Unit: RMB

Item	Notes	31 December 2023	31 December 2022
<b>Liabilities:</b>			
Short-term borrowings		974,779,055.55	2,005,323,555.59
Interbank borrowings			
Financial liabilities held for trading			
Derivative financial liabilities			
Financial assets sold under repurchase agreements			
Employment benefits payable		74,580,027.40	84,252,667.37
Taxes payable		107,302,911.99	263,609,724.40
Accounts payable		16,709,657.85	19,391,192.94
Contract liabilities		18,162,088.23	36,220,691.99
Liabilities held for sale			
Provisions		120,809,836.02	
Long-term borrowings			
Bonds payable			
Including: Preferred shares			
Perpetual bonds			
Lease liabilities		40,148,582.51	63,520,120.79
Deferred income tax liabilities			
Other liabilities		803,797,436.57	730,676,729.62
<b>Total liabilities</b>		<b>2,156,289,596.12</b>	<b>3,202,994,682.70</b>

# BALANCE SHEET OF THE PARENT COMPANY

31 December 2023

Prepared by: Shandong International Trust Co., Ltd.

Unit: RMB

Item	Notes	31 December 2023	31 December 2022
<b>Shareholders' equity :</b>			
Share 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 stock			
Other comprehensive income		-5,253,999.65	-1,730,541.86
Surplus reserve		1,002,840,747.87	979,430,230.51
Trust compensation reserve		753,171,982.16	729,761,464.80
General risk reserve		594,239,495.47	524,007,943.40
Undistributed profit		3,929,584,806.71	3,812,532,219.93
<b>Total shareholder's equity</b>		<b>11,093,482,215.61</b>	<b>10,862,900,499.83</b>
<b>Total liabilities and shareholder's equity</b>		<b>13,249,771,811.73</b>	<b>14,065,895,182.53</b>

Legal representative:

Person in charge of  
accounting work:

Person in charge of the  
accounting firm:

# CONSOLIDATED INCOME STATEMENT

2023

Prepared by: Shandong International Trust Co., Ltd.

Unit: RMB

Item	Notes	2023	2022
<b>I. Total operating income</b>		<b>1,190,457,227.88</b>	<b>1,508,705,858.21</b>
Net interest income	VI•29	100,234,903.04	-76,620,901.76
Including: Interest income	VI•29	192,202,677.40	62,740,895.84
Interest expense	VI•29	91,967,774.36	139,361,797.60
Net fee and commission income	VI•30	766,121,700.97	981,742,563.99
Including: Fee and commission income	VI•30	771,124,666.23	990,286,183.81
Fee and commission expenses	VI•30	5,002,965.26	8,543,619.82
Investment income (losses indicated in "-")	VI•31	72,373,260.70	520,345,041.57
Including: Income from investment in associates and joint ventures		10,192,627.15	176,985,273.73
Net exposure hedging gains (losses indicated in "-")			
Other income			
Gains from changes in fair value (losses indicated in "-")	VI•32	212,740,173.75	40,217,959.53
Gains from changes in net assets attributable to third-party investors in consolidated structured entities (losses indicated in "-")	VI•33	26,262,792.35	35,053,235.73
Exchange gains (losses indicated in "-")	VI•34	0.16	0.83
Other operating income	VI•35	12,677,482.99	7,794,603.68
Gains on disposal of assets (losses indicated in "-")	VI•36	46,913.92	173,354.64
<b>II. Total operating costs</b>		<b>781,109,822.55</b>	<b>915,974,057.74</b>
Taxes and surcharges	VI•37	8,356,011.92	12,911,502.03
Business and administrative expenses	VI•38	269,073,176.25	283,454,606.90
Credit impairment losses	VI•39	500,461,628.77	618,726,361.04
Impairment losses on other assets			
Other operating costs	VI•40	3,219,005.61	881,587.77
<b>III. Operating profit (losses indicated in "-")</b>		<b>409,347,405.33</b>	<b>592,731,800.47</b>
Add: Non-operating income	VI•41	2,935,017.87	621,059.83
Less: Non-operating expenses	VI•42	122,131,726.49	2,119,101.49
<b>IV. Total profit (total losses indicated in "-")</b>		<b>290,150,696.71</b>	<b>591,233,758.81</b>
Less: Income tax expenses	VI•43	131,517,149.99	310,804,362.67
<b>V. Net profit (net loss indicated in "-")</b>		<b>158,633,546.72</b>	<b>280,429,396.14</b>
<b>(I) Categorised by the nature of continuing operations</b>		<b>158,633,546.72</b>	<b>280,429,396.14</b>
1. Net profit from continuing operations (net loss indicated in "-")		158,633,546.72	280,429,396.14
2. Net profit from discontinued operations (net loss indicated in "-")			
<b>(II) Categorised by ownership</b>		<b>158,633,546.72</b>	<b>280,429,396.14</b>
1. Net profit attributable to owner of the parent company (net loss indicated in "-")		158,633,546.72	280,429,396.14
2. Profit or loss attributable to non-controlling interests (net loss indicated in "-")			

# CONSOLIDATED INCOME STATEMENT

2023

Prepared by: Shandong International Trust Co., Ltd.

Unit: RMB

Item	Notes	2023	2022
<b>VI. Other comprehensive income, net of tax</b>		-3,523,457.79	-1,570,919.47
Other comprehensive income attributable to the owner of the parent company, net of tax		-3,523,457.79	-1,570,919.47
(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		-3,523,457.79	-1,570,919.47
1. Other comprehensive income that can be reclassified to profit or loss under equity method		-3,523,457.79	-1,570,919.47
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			
<b>VII. Total comprehensive income</b>		<b>155,110,088.93</b>	<b>278,858,476.67</b>
Total comprehensive income attributable to the owner of the parent company		<b>155,110,088.93</b>	<b>278,858,476.67</b>
Total comprehensive income attributable to non-controlling interests			
<b>VIII. Earnings per share:</b>			
(I) Basic earnings per share (RMB/share)		0.03	0.06
(II) Diluted earnings per share (RMB/share)		0.03	0.06

Legal representative:

Person in charge of  
accounting work:

Person in charge of the  
accounting firm:

# INCOME STATEMENT OF PARENT COMPANY

2023

Prepared by: Shandong International Trust Co., Ltd.

Unit: RMB

Item	Notes	2023	2022
<b>I. Total operating income</b>		<b>1,167,272,834.53</b>	1,413,901,119.92
Net interest income	XVII • 5	-3,825,830.71	-81,163,126.22
Including: Interest income	XVII • 5	50,592,919.10	36,724,546.90
Interest expenses	XVII • 5	54,418,749.81	117,887,673.12
Net fee and commission income	XVII • 6	787,400,353.08	976,140,800.91
Including: Fee and commission income	XVII • 6	792,403,318.34	984,684,420.73
Fee and commission expenses	XVII • 6	5,002,965.26	8,543,619.82
Investment income (losses indicated in "-")	XVII • 7	132,979,242.69	461,622,493.01
Including: Income from investment in associates and joint ventures		10,192,627.15	176,985,273.73
Net exposure hedging gains (losses indicated in "-")			
Other income			
Gains from changes in fair value (losses indicated in "-")	XVII • 8	237,994,672.40	49,332,993.07
Exchange gains (losses indicated in "-")		0.16	0.83
Other operating income		12,677,482.99	7,794,603.68
Gains on disposal of assets (losses indicated in "-")		46,913.92	173,354.64
<b>II. Total operating costs</b>		<b>657,296,593.34</b>	816,716,304.88
Taxes and surcharges		7,245,427.03	11,949,242.00
Business and administrative expenses		256,872,619.80	277,317,642.03
Credit impairment losses		389,959,540.90	526,567,833.08
Impairment losses on other assets			
Other operating costs		3,219,005.61	881,587.77
<b>III. Operating profit (losses indicated in "-")</b>		<b>509,976,241.19</b>	597,184,815.04
Add: Non-operating income		2,935,017.81	585,889.68
Less: Non-operating expenses		122,131,726.49	2,119,101.49
<b>IV. Total profit (total losses indicated in "-")</b>		<b>390,779,532.51</b>	595,651,603.23
Less: income tax expenses		156,674,358.94	311,908,823.77
<b>V. Net profit (net loss indicated in "-")</b>		<b>234,105,173.57</b>	283,742,779.46
(I) Net profit from continuing operations (net loss indicated in "-")		234,105,173.57	283,742,779.46
(II) Net profit from discontinued operations (net loss indicated in "-")			
<b>VI. Other comprehensive income, net of tax</b>		<b>-3,523,457.79</b>	-1,570,919.47

# INCOME STATEMENT OF PARENT COMPANY

2023

Prepared by: Shandong International Trust Co., Ltd.

Unit: RMB

Item	Notes	2023	2022
(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		-3,523,457.79	-1,570,919.47
1. Other comprehensive income that can be reclassified to profit or loss under equity method		-3,523,457.79	-1,570,919.47
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			
<b>VII. Total comprehensive income</b>		<b>230,581,715.78</b>	<b>282,171,859.99</b>
<b>VIII. Earnings per share:</b>			
(I) Basic earnings per share (RMB/share)		0.05	0.06
(II) Diluted earnings per share (RMB/share)		0.05	0.06

Legal representative:

Person in charge of  
accounting work:

Person in charge of the  
accounting firm:

# CONSOLIDATED CASH FLOW STATEMENT

2023

Prepared by: Shandong International Trust Co., Ltd.

Unit: RMB

Item	Notes	2023	2022
<b>I. Cash flows from operating activities:</b>			
Interest, fees and commissions received		885,003,107.82	1,206,965,022.01
Net decrease in financial assets purchased under resale agreements			340,346,281.43
Net decrease in loans and advances to customers			4,465,843,585.56
Net increase in net assets attributable to third-party investors in consolidated structured entities		177,329,075.26	
Other cash received relating to operating activities		117,068,990.02	34,295,356.72
<b>Sub-total of cash inflows from operating activities</b>		<b>1,179,401,173.10</b>	<b>6,047,450,245.72</b>
Net increase in loans and advances to customers		244,730,000.00	
Interest, fees and commissions paid		559,543.04	11,380,071.44
Net increase in financial assets purchased under resale agreements		37,788,757.84	
Net increase in financial assets held for trading		371,976,527.21	1,461,457,143.41
Net increase in debt investments		1,059,862,838.65	2,240,287,550.28
Cash paid to and on behalf of employees		126,912,726.08	176,492,548.08
Taxes payments		430,029,084.56	183,939,266.89
Net decrease in net assets attributable to third-party investors in consolidated structured entities			5,072,685,300.90
Other cash paid relating to operating activities		236,563,834.75	626,223,469.54
<b>Subtotal of cash outflows from operating activities</b>		<b>2,508,423,312.13</b>	<b>9,772,465,350.54</b>
<b>Net cash flows from operating activities</b>		<b>-1,329,022,139.03</b>	<b>-3,725,015,104.82</b>
<b>II. Cash flows from investing activities:</b>			
Cash received from the recovery of investments		938,378,037.35	3,862,086,149.51
Cash received from acquisition of investment income		7,453,904.42	271,566,201.60
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		81,558.16	108,000.00
Other cash received relating to investing activities			16,720,923.00
<b>Subtotal of cash inflows from investing activities</b>		<b>945,913,499.93</b>	<b>4,150,481,274.11</b>
Cash paid for acquisition or construction of fixed assets, intangible assets and other long-term assets		29,342,804.41	27,733,038.64
Cash paid for investments		541,137,039.10	
Other cash paid relating to investing activities			
<b>Subtotal of cash outflows from investing activities</b>		<b>570,479,843.51</b>	<b>27,733,038.64</b>
<b>Net cash flows from investing activities</b>		<b>375,433,656.42</b>	<b>4,122,748,235.47</b>

# CONSOLIDATED CASH FLOW STATEMENT

2023

Item	Notes	2023	2022
<b>III. Cash flows from financing activities:</b>			
Cash received from absorption of investments			
Cash received from borrowings		972,500,000.00	2,000,000,000.00
Other cash received relating to financing activities			
<b>Sub-total of cash inflows from financing activities</b>		<b>972,500,000.00</b>	<b>2,000,000,000.00</b>
Cash payments for settlement of debts		2,000,000,000.00	1,600,000,000.00
Cash payments for distribution of dividends or profit			
Cash payments for repayment of interests		54,198,066.67	113,287,944.44
Other cash payments relating to financing activities		36,407,050.49	30,450,292.12
<b>Subtotal of cash outflows from financing activities</b>		<b>2,090,605,117.16</b>	<b>1,743,738,236.56</b>
<b>Net cash flow from financing activities</b>		<b>-1,118,105,117.16</b>	<b>256,261,763.44</b>
<b>IV. Effect of changes in exchange rate on cash and cash equivalents</b>		<b>0.16</b>	<b>0.83</b>
<b>V. Net increase in cash and cash equivalents</b>		<b>-2,071,693,599.61</b>	<b>653,994,894.92</b>
Plus: Opening balance of cash and cash equivalents		2,240,590,484.12	1,586,595,589.20
<b>VI. Closing balance of cash and cash equivalents</b>		<b>168,896,884.51</b>	<b>2,240,590,484.12</b>

Legal representative:

Person in charge of  
accounting work:

Person in charge of the  
accounting firm:

# PARENT COMPANY'S CASH FLOW STATEMENT

2023

Prepared by: Shandong International Trust Co., Ltd.

Unit: RMB

Item	Notes	2023	2022
<b>I. Cash flows from operating activities:</b>			
Interest, fees and commissions received		874,045,846.99	1,186,331,137.46
Net decrease in financial assets purchased under resale agreements			341,585,746.03
Net decrease in loans and advances to customers			905,603,738.59
Other cash received relating to operating activities		82,334,962.76	29,379,275.96
<b>Sub-total of cash inflows from operating activities</b>		<b>956,380,809.75</b>	<b>2,462,899,898.04</b>
Interest, fees and commissions paid		559,543.04	10,216,543.72
Net increase in financial assets purchased under resale agreements		67,828,385.64	
Net increase in debt investments		159,862,838.65	3,158,787,550.28
Net increase in financial assets held for trading		484,045,174.68	1,867,685,025.22
Cash paid to and on behalf of employees		126,912,726.08	176,492,548.08
Taxes payments		428,918,499.67	182,977,006.86
Other cash paid relating to operating activities		230,090,499.71	1,300,243,394.76
<b>Subtotal of cash outflows from operating activities</b>		<b>1,498,217,667.47</b>	<b>6,696,402,068.92</b>
<b>Net cash flows from operating activities</b>		<b>-541,836,857.72</b>	<b>-4,233,502,170.88</b>
<b>II. Cash flows from investing activities:</b>			
Cash received from the recovery of investments		1,011,982,040.35	4,547,954,555.40
Cash received from acquisition of investment income		69,893,293.68	271,566,201.60
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		81,558.16	108,000.00
Other cash received relating to investing activities			16,720,923.00
<b>Subtotal of cash inflows from investing activities</b>		<b>1,081,956,892.19</b>	<b>4,836,349,680.00</b>
Cash paid for acquisition or construction of fixed assets, intangible assets and other long-term assets		29,342,804.41	27,733,038.64
Cash paid for investments		1,482,851,232.88	
Other cash paid relating to investing activities			
<b>Subtotal of cash outflows from investing activities</b>		<b>1,512,194,037.29</b>	<b>27,733,038.64</b>
<b>Net cash flows from investing activities</b>		<b>-430,237,145.10</b>	<b>4,808,616,641.36</b>

# PARENT COMPANY'S CASH FLOW STATEMENT

2023

Item	Notes	2023	2022
<b>III. Cash flows from financing activities:</b>			
Cash received from absorption of investments			
Cash received from borrowings		972,500,000.00	2,000,000,000.00
Other cash received relating to financing activities			
<b>Sub-total of cash inflows from financing activities</b>		<b>972,500,000.00</b>	<b>2,000,000,000.00</b>
Cash payments for settlement of debts		2,000,000,000.00	1,600,000,000.00
Cash payments for distribution of dividends or profit			
Cash payments for repayment of interests		54,198,066.67	113,287,944.44
Other cash payments relating to financing activities		36,407,050.49	30,450,292.12
<b>Subtotal of cash outflows from financing activities</b>		<b>2,090,605,117.16</b>	<b>1,743,738,236.56</b>
<b>Net cash flow from financing activities</b>		<b>-1,118,105,117.16</b>	<b>256,261,763.44</b>
<b>IV. Effect of changes in exchange rate on cash and cash equivalents</b>		<b>0.16</b>	<b>0.83</b>
<b>V. Net increase in cash and cash equivalents</b>		<b>-2,090,179,119.82</b>	<b>831,376,234.75</b>
Plus: Opening balance of cash and cash equivalents		2,208,303,414.59	1,376,927,179.84
<b>VI. Closing balance of cash and cash equivalents</b>		<b>118,124,294.77</b>	<b>2,208,303,414.59</b>

Legal representative:

Person in charge of  
accounting work:

Person in charge of the  
accounting firm:

# CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

2023

Unit: RMB

Prepared by: Shandong International Trust Co., Ltd.

Item	2023										Total shareholder's equity	
	Share capital	Other equity instruments	Capital reserve	Less: treasury stock	Other comprehensive income	Surplus reserve	Trust compensation reserve	General risk reserve	Undistributed profit	Others		Subtotal
<b>I. Balance at the end of the previous year</b>	4,658,650,000.00		160,049,183.05		-1,730,541.86	979,430,230.51	729,761,464.80	524,007,943.40	3,883,899,591.65		10,934,267,871.55	10,934,267,871.55
Plus: Changes in accounting policies												
Correction of errors in the prior period												
Business combination under common control												
Others												
<b>II. Balance at the beginning of the year</b>	4,658,650,000.00		160,049,183.05		-1,730,541.86	979,430,230.51	729,761,464.80	524,007,943.40	3,883,899,591.65		10,934,267,871.55	10,934,267,871.55
<b>III. Increase/decrease for the year (decrease is indicated with "-")</b>					-3,523,457.79	23,410,517.36	23,410,517.36	70,231,552.07	41,580,959.93		155,110,088.93	155,110,088.93
(I) Total comprehensive income					-3,523,457.79	23,410,517.36	23,410,517.36	70,231,552.07	41,580,959.93		155,110,088.93	155,110,088.93
(II) Shareholder's contributions and withdrawals of capital												
1. Ordinary shares invested by shareholders												
2. Capital invested by holders of other equity instruments												
3. Amount of share-based payment credited to shareholder's equity												
4. Others												

# CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

2023

Unit: RMB

Prepared by: Shandong International Trust Co., Ltd.

Item	2023										Total shareholder's equity	
	Share capital	Other equity instruments	Capital reserve	Less: treasury stock	Other comprehensive income	Surplus reserve	Trust compensation reserve	General risk reserve	Undistributed profit	Others		Subtotal
(III) Profit distribution						23,410,517.36	23,410,517.36	70,231,552.07	-117,052,666.79			
1. Withdrawal of surplus reserve						23,410,517.36			-23,410,517.36			
2. Withdrawal risk reserve												
3. Distributions to shareholders												
4. Others												
(IV) Internal carryover of shareholders' equity												
1. Conversion of capital reserve to share capital												
2. Conversion of surplus reserve to share capital												
3. Recovery of loss with surplus reserve												
4. Change of defined benefit plan carried forward to retained earnings												
5. Other comprehensive income carried forward to retained earnings												
6. Others												

# CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

2023

Unit: RMB

Prepared by: Shandong International Trust Co., Ltd.

Item	2023											Total shareholder's equity					
	Shareholders' equity attributable to the parent company						Minority interests				Subtotal						
	Share capital	Other equity instruments	Capital reserve	Less: treasury stock	Other comprehensive income	Surplus reserve	Trust compensation reserve	General risk reserve	Undistributed profit	Others			Minority interests				
(V) Special reserves																	
1. Withdrawal in the year																	
2. Utilization in the year																	
(VI) Others																	
<b>IV. Balance at the end of the year</b>	4,658,650,000.00		160,049,183.05	-5,253,999.65	1,002,840,747.87	753,171,982.16	594,239,495.47	3,925,480,551.58			11,089,377,960.48						11,089,377,960.48

Legal representative:

Person in charge of accounting work:

Person in charge of the accounting firm:

# CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

2023

Unit: RMB

Prepared by: Shandong International Trust Co., Ltd.

Item	2022										Total shareholder's equity			
	Share capital	Other equity instruments	Capital reserve	Less: treasury stock	Shareholders' equity attributable to the parent company	Other comprehensive income	Surplus reserve	Trust compensation reserve	General risk reserve	Undistributed profit		Others	Subtotal	Minority interests
<b>I. Balance at the end of the previous year</b>	4,658,850,000.00		160,049,183.05			-159,622.39	951,055,952.56	701,387,186.85	438,423,186.36	3,745,803,508.45		10,655,409,394.88		10,655,409,394.88
Plus: Changes in accounting policies														
Correction of errors in the prior period														
Business combination under common control														
Others														
<b>II. Balance at the beginning of the year</b>	4,658,850,000.00		160,049,183.05			-159,622.39	951,055,952.56	701,387,186.85	438,423,186.36	3,745,803,508.45		10,655,409,394.88		10,655,409,394.88
<b>III. Increase/decrease for the year (decrease is indicated with "-")</b>						-1,570,919.47	28,374,277.95	28,374,277.95	85,594,757.04	138,096,083.20		278,858,476.67		278,858,476.67
(I) Total comprehensive income						-1,570,919.47								
(II) Shareholder's contributions and withdrawals of capital														
1. Ordinary shares invested by shareholders														
2. Capital invested by holders of other equity instruments														
3. Amount of share-based payment credited to shareholder's equity														
4. Others														

# CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

2023

Unit: RMB

Prepared by: Shandong International Trust Co., Ltd.

Item	2022										Total shareholders equity			
	Share capital	Preferred shares	Other equity instruments	Capital reserve	Less: treasury stock	Shareholders' equity attributable to the parent company	Surplus reserve	Trust compensation reserve	General risk reserve	Undistributed profit		Others	Subtotal	Minority interests
(III) Profit distribution														
1. Withdrawal of surplus reserve						28,374,277.95	28,374,277.95		85,584,757.04	-142,333,312.94				
2. Withdrawal of risk reserve						28,374,277.95				-28,374,277.95				
3. Distributions to shareholders														
4. Others														
(IV) Internal carryover of shareholders' equity														
1. Conversion of capital reserve to share capital														
2. Conversion of surplus reserve to share capital														
3. Recovery of loss with surplus reserve														
4. Change of defined benefit plan carried forward to retained earnings														
5. Other comprehensive income carried forward to retained earnings														
6. Others														







# STATEMENT OF CHANGES IN' EQUITY OF PARENT COMPANY

2023

Unit: RMB

Prepared by: Shandong International Trust Co., Ltd.

Item	2022											
	Share capital	Preferred shares	Other equity instruments	Capital reserve	Less: treasury stock	Other comprehensive income	Surplus reserve	Trust compensation reserve	General risk reserve	Undistributed profit	Others	Total shareholders' equity
<b>I. Balance at the end of the previous year</b>	4,658,850,000.00			160,049,183.05		-159,622.39	951,055,952.56	701,387,186.85	438,423,186.36	3,671,122,753.41		10,580,728,639.84
Plus: Changes in accounting policies												
Correction of errors in the prior period												
Others												
<b>II. Balance at the beginning of the year</b>	4,658,850,000.00			160,049,183.05		-159,622.39	951,055,952.56	701,387,186.85	438,423,186.36	3,671,122,753.41		10,580,728,639.84
<b>III. Increase/decrease for the year (decrease is indicated with "-")</b>												
(I) Total comprehensive income						-1,570,919.47	28,374,277.95	28,374,277.95	85,584,757.04	141,409,466.52		282,171,859.99
(II) Shareholder's contributions and withdrawals of capital												
1. Ordinary shares invested by shareholders												
2. Capital invested by holders of other equity instruments												
3. Amount of share-based payment credited to shareholder's equity												
4. Others												
(III) Profit distribution							28,374,277.95	28,374,277.95	85,584,757.04	-142,333,312.94		
1. Withdrawal of surplus reserve												
2. Withdrawal of risk reserve												
3. Distributions to shareholders												
4. Others												
(IV) Internal carryover of shareholder's equity								28,374,277.95	85,584,757.04	-113,959,034.99		

# STATEMENT OF CHANGES IN' EQUITY OF PARENT COMPANY

2023

Unit: RMB

Prepared by: Shandong International Trust Co., Ltd.

Item	2022										
	Share capital	Other equity instruments	Capital reserve	Less: treasury stock	Other comprehensive income	Surplus reserve	Trust compensation reserve	General risk reserve	Undistributed profit	Others	Total shareholders' equity
1. Conversion of capital reserve to share capital											
2. Conversion of surplus reserve to share capital											
3. Recovery of loss with surplus reserve											
4. Change of defined benefit plan carried forward to retained earnings											
5. Other comprehensive income carried forward to retained earnings											
6. Others											
(V) Special reserves											
1. Withdrawal in the year											
2. Utilization in the year											
(VI) Others											
<b>IV. Balance at the end of the year</b>	4,658,850,000.00		160,049,183.05		-1,730,541.86	979,430,230.51	729,761,464.80	524,007,943.40	3,812,532,219.93		10,862,900,489.83

Legal representative: \_\_\_\_\_ Person in charge of the accounting firm: \_\_\_\_\_

Legal representative: \_\_\_\_\_ Person in charge of accounting work: \_\_\_\_\_

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 January 2023 to 31 December 2023

(All amounts expressed in RMB unless otherwise stated)

## I. 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 People’s Bank of China 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 of 31 December 2023, the share capital of the Company 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: Yue Zengguang

Registered capital: RMB4,658.85 million

The Company belongs to the trust industry. The Company is principally engaged in 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, as well as its counterparty clients’ financing needs. The Company’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 parent company of the Company is Shandong Lucion Investment Holdings Group Co., Ltd. (“**Lucion Group**”). The controlling shareholder of Lucion Group is Shandong Provincial Department of Finance.

These financial statements were approved for reporting on 26 March 2024 by the Board of Directors of the Company.

## II. SCOPE OF CONSOLIDATION OF FINANCIAL STATEMENTS

The scope of the Group’s consolidated financial statements includes the structured entities that the Company and its own funds participate in and meet the definition of “control” under the Accounting Standards for Business Enterprises.

Please refer to note “VII. CHANGE IN SCOPE OF CONSOLIDATION” and note “VIII. INTERESTS IN OTHER ENTITIES” for details.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 January 2023 to 31 December 2023  
(All amounts expressed in RMB unless otherwise stated)

## III. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

### 1. Basis of preparation

The financial statements of the Group are prepared based on the actual transactions and events in accordance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance and its application guidelines, interpretations and other relevant regulations (hereafter collectively referred to as the “**ASBE**”), and the disclosure requirements of the Hong Kong Companies Ordinance and the Listing Rules of the Hong Kong Stock Exchange.

### 2. Going concern

The Group has evaluated its ability to continue as a going concern for the 12 months from 31 December 2023, and has not found any events or conditions that may cast significant doubt on its ability to continue as a going concern. The financial statements are presented on a going concern basis.

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

Specific accounting policies and accounting estimates indication: the specific accounting policies and accounting estimates developed by the Group according to the actual operating characteristics include business cycle, recognition and measurement of financial assets and financial liabilities, classification and depreciation methods of fixed assets, recognition and measurement of revenue, recognition of deferred income tax assets and deferred income tax liabilities, etc.

### 1. Statement of compliance with the ASBEs

The financial statements are prepared in accordance with ASBE, and present truly, accurately and completely, the Company and the Group's financial position as at 31 December 2023, results of operations and cash flows for the year of 2023.

### 2. Accounting period

The Group's accounting period is from 1 January to 31 December of each calendar year.

### 3. Operation cycle

The Group treats 12 months from 1 January to 31 December of each year as an operating cycle and as the classification standard for the liquidity of assets and liabilities.

### 4. Functional currency

The Group uses RMB as its functional currency.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 January 2023 to 31 December 2023

(All amounts expressed in RMB unless otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 5. Determination method and selection basis of materiality standards

The Group determines the materiality of financial information in terms of the nature and amount of the item according to its specific environment. When determining the materiality of the nature of the item, the Group mainly considers whether the item is in the ordinary course of business in nature and whether it significantly affects the financial position, operating results and cash flows of the Group; in determining the materiality of the amount of an item, the Group considers the proportion of the amount of the item in total assets, total liabilities, total owner's equity, total operating income, total operating costs, net profit, total comprehensive income and other directly related items or the proportion of the amount of the individual items in the statement.

### 6. Preparation of consolidated financial statements

The scope of consolidation in the consolidated financial statements prepared by the Group included the Company and its all subsidiaries.

A subsidiary presents an entity (including a structured entity controlled by the Company) over which the Group has control. Control is achieved when the Group has power over the investee; is exposed or has rights to variable returns from its involvement with the investee and has the ability to affect its returns through its power over the investee. Subsidiaries are consolidated from the date on which the Group obtains control, and are deconsolidated from the date that such control ceases.

A structured entity refers that when judging the control side of the entity, the key elements to consider are the contracts which the entities' main activities are based on or the corresponding arrangements rather than the voting rights or similar rights (for example: the voting rights are just associated with administrative matters only).

When the Group acts as the manager in structured entity (such as acting as a trustee for a trust scheme), the Group needs to identify its own role as the agent or the principal to make decisions for the structured entity. If the asset manager is just an agent, its primary responsibility is to exercise decision-making authority for other parties (other investors of the structured entity), and therefore does not control the structured entity. However, if the asset manager's primary responsibility is to exercise decision-making authority for itself, it is the principal and thus controls the structured entity.

Structured entities involved in the Group's operating activities include trust schemes, fund investments and investment in asset management schemes. The Company set up trust schemes to earn trustee's remuneration by providing trustee and management services to the trustors (investors) of the trust schemes. Trust schemes mainly include financing trust schemes and investment trust schemes. The Company may also invest in trust schemes established and managed by the Company.

When determining whether to consolidate structured entities, the Group assesses whether it has power over the structured entities; is exposed or has rights to variable returns from its involvement with the investee and has the ability to affect its returns through its power over the investee in accordance with the contractual terms. Details of consolidated structured entities are set out in Note VIII(2). Interests attributable to third-party beneficiaries in fixed maturity and redeemable instruments are presented as other liabilities in the consolidated balance sheet. Changes in profit or loss attributable to third-party beneficiaries under the consolidated financing trust schemes are presented as interest expenses in the consolidated income statement, and changes in profit or loss attributable to third-party beneficiaries under the consolidated investment trust schemes are presented as changes in net assets attributable to third-party investors in consolidated structured entities in the consolidated income statement.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 January 2023 to 31 December 2023  
(All amounts expressed in RMB unless otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 7. Cash and cash equivalents

Cash in the Group's cash flows statement represents cash on hand and deposits that can be readily draw on demand. Cash equivalents in the cash flow statement represent short-term (3 months or less), and highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of change in value.

### 8. Transactions denominated in foreign currencies

A foreign currency transaction is translated at the spot exchange rate ruling at the date of the transaction. At the balance sheet date, foreign currency monetary items are translated into functional currency using the spot exchange rates at the balance sheet date. Exchange differences arising from specific borrowings denominated in foreign currency that have been borrowed for the acquisition of asset eligible for capitalisation of borrowing costs are capitalised during the period of capitalisation. Other exchange differences are recognised directly in profit or loss. Foreign currency non-monetary items measured at historical cost are translated at the spot exchange rates ruling at the transaction dates at the balance sheet date. The effect of exchange rate changes on cash is presented separately in the statement of cash flows.

### 9. Financial assets and financial liabilities

Measurement: amortised cost and effective interest rate

The amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

The effective interest rate is the rate that discounts estimated future cash flows throughout the expected life of the financial asset or financial liability to the gross carrying amount of the financial asset (i.e. amortised cost before any loss allowance) or to the amortised cost of the financial liability. The calculation does not consider ECL but includes transaction costs, premiums or discounts and fees paid or received that are integral to the effective interest rate, such as loan origination fees. For purchased or originated credit-impaired financial assets, the Group calculates the credit-adjusted effective interest rate, which is calculated based on the amortised cost of the financial asset instead of its gross carrying amount and incorporates the impact of ECL in estimated future cash flows.

When the Group revises the estimates of future cash flows, the carrying amount of the financial asset or financial liability is adjusted to reflect the new estimate cash flow discounted using the original effective interest rate. Any changes are recognised in profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 January 2023 to 31 December 2023

(All amounts expressed in RMB unless otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 9. Financial assets and financial liabilities (Continued)

Initial recognition and measurement:

Relevant financial assets or financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. Regular way purchases or sales of financial assets are recognised on trade-date. Trade date is the date that the Group commits to purchase or sell the financial asset.

At initial recognition, the Group measures financial assets or financial liabilities at fair value plus or minus, in the case of a financial asset or financial liability not at FVTPL, the transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities at FVTPL are expensed in profit or loss. Subsequent to initial recognition, an ECL allowance is recognised for financial assets measured at amortised cost and investments in debt instruments measured at FVTOCI, and included in profit or loss.

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the Group recognises the difference as follows: if the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised in profit or loss. Otherwise, the difference is deferred and the timing of recognition of deferred day one profit or loss is determined individually. The difference can be either amortised over the life of the financial instrument or deferred until the instrument's fair value can be determined using observable market data, or realized in profit or loss upon settlement of the financial instrument.

#### (1) Financial assets

##### 1) Classification and subsequent measurement of financial assets

The Group classifies its financial assets in the following measurement categories: ① FVTPL; ② FVTOCI; ③ amortised cost.

The Group classifies financial assets into financial assets measured at amortised cost, financial assets at FVTOCI and financial assets at FVTPL based on the business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 January 2023 to 31 December 2023  
(All amounts expressed in RMB unless otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 9. Financial assets and financial liabilities (Continued)

#### (1) Financial assets (Continued)

##### 1) Classification and subsequent measurement of financial assets (Continued)

The classification requirements for debt and equity instruments are described below:

##### *Debt instruments*

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans and advances to customer, financial assets purchased under resale agreements and accounts receivable.

Classification and subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset.

Business model: The business model reflects how the Group manages its financial assets in order to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the financial assets or is to collect the contractual cash flows and sell the financial assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the business model of these financial assets are classified as "other" and measured at FVTPL. Factors considered by the Group in determining the business model for a group of financial assets include past experience on how to collect the cash flows of these assets, how to evaluate the asset's performance reported to key management personnel, how to assess and management risks managed, as well as how to compensate managers.

Whether the contractual cash flows represent solely payments of principal and interest: where the business model is to collect contractual cash flows or to both collect contractual cash flows and sell financial assets, the Group assesses whether the financial instruments' cash flows represent solely payments of principal and interest. In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified as FVTPL.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 January 2023 to 31 December 2023

(All amounts expressed in RMB unless otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 9. Financial assets and financial liabilities (Continued)

#### (1) Financial assets (Continued)

##### 1) Classification and subsequent measurement of financial assets (Continued)

###### *Debt instruments (Continued)*

Financial assets with embedded derivatives are considered in their entirety when determining whether the contractual cash flows are solely payment of principal and interest.

Based on these factors, the Group classifies its debt instruments into the following three measurement categories:

- ① Amortised cost: the financial assets are measured at amortised cost if the assets are managed within a business model with an objective to collect contractual cash flows that are solely payments of principal and interest and are not designated at FVTPL. The carrying amount of the assets are adjusted based on the provisions for ECL. Interest income from the asset is included in "interest income" using the effective interest rate method.
- ② FVTOCI: the financial assets are measured at FVTOCI if the assets are managed within a business model with an objective to both collect contractual cash flows that are solely payments of principal and interest and sell the financial assets, and are not designated at FVTPL. Except for the recognition of impairment gains or losses on the amortised cost of financial assets, interest income and foreign exchange gains or losses in profit and loss, changes in the carrying amount are taken through OCI. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised as "investment income". Interest income from the asset is included in "interest income" using the effective interest rate method.
- ③ FVTPL: Assets that do not meet the criteria for amortised cost or FVTOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL and is not part of a hedging relationship is recognised in profit or loss and presented in the statement of profit or loss within "fair value gains or losses" in the period in which it arises, unless it arises from non-trading debt instruments that are designated at fair value, in which case it is presented separately in "investment income".

The Group reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the beginning of the first reporting period following the change. The Group anticipates that such changes are expected to be very rare and did not occur during the Period.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 January 2023 to 31 December 2023  
(All amounts expressed in RMB unless otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 9. Financial assets and financial liabilities (Continued)

#### (1) Financial assets (Continued)

##### 1) Classification and subsequent measurement of financial assets (Continued)

###### *Equity instruments*

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that have the rights to the net assets and residual returns of the issuer, such as ordinary shares.

The Group's equity investments are measured at FVTPL, except where the management has elected to irrevocably designate an equity investment at FVTOCI. The Group's policy for the above-mentioned designation is to designate equity instrument investments not for the purpose of obtaining investment income as FVTOCI. Changes in fair value are recognised in other comprehensive income and are not subsequently reclassified to profit or loss (including disposal). Impairment losses and reversal are not reported separately from other changes in fair value. The dividend income on the investment is recognised when the Group's right to receive payment is established.

Gains and losses on equity instrument investments at FVTPL are included in the "investment income" in the statement of profit or loss.

##### 2) Impairment

The Group assesses on a forward-looking basis the ECL associated with its debt instrument assets carried at amortised cost and FVTOCI and with the exposure arising from loan commitments and financial guarantee contracts. The Group recognises a loss allowance at each reporting date. The measurement of ECL reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes; the time value of money; reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Please refer to Note IX.1.(2) for the measurement of ECL.

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## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 9. Financial assets and financial liabilities (Continued)

#### (1) Financial assets (Continued)

##### 3) Modification of loan contracts

The Group sometimes renegotiates or modifies the contracts of loans to customers, which resulted in changes in contractual cash flows. If this occurs, the Group assesses whether the revised contractual terms are substantially changed. Factors considered by the Group in making this assessment include:

- ① When a contract modification occurs where the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay.
- ② Whether any substantial new terms are introduced, such as the addition of profit sharing/ equity-based return that resulted in substantial changes to the risk characteristics of the contract.
- ③ Significant extension of the loan term when the borrower is not in financial difficulty.
- ④ Significant change in the interest rates.
- ⑤ Change in the currency of the loan.
- ⑥ Insertion of guarantee or other credit enhancements that significantly affect the credit risk associated with the loan.

If the revised contractual terms are substantially different, the Group derecognises the original financial asset and recognises a new financial asset at fair value and recalculates a new effective interest rate for the asset. In this case, the date of the modification is considered to be the date of initial recognition for the purposes of determining whether there is a significant increase in credit risk. For the newly recognised financial assets mentioned above, the Group also assesses whether they are credit-impaired at initial recognition, especially when the contract modification occurs when the debtor fails to perform the originally agreed payment arrangement. Changes in the carrying amount are recognised in the profit or loss as the gains or losses arising from derecognition.

If the revised contractual terms are not substantially different, the modification does not result in derecognition of the financial asset. The Group recalculates the gross carrying amount of the financial asset based on the modified contractual cash flows and recognises a modification gain or loss in profit or loss. The new gross carrying amount is calculated by discounting the revised cash flows using the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

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## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 9. Financial assets and financial liabilities (Continued)

#### (1) Financial assets (Continued)

##### 4) Derecognition other than modification

The Group derecognises financial assets or a portion thereof when the contractual rights to receive the cash flows from the financial asset have expired, or when the rights have been transferred and either (i) the Group transfers substantially all the risks and rewards of ownership of the financial asset, or (ii) the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset and the Group has not retained control of the assets.

The Group enters into transactions where it retains the contractual rights to receive the cash flows, but assumes the contractual obligations to pay the cash flows collected to the ultimate recipient and transfers substantially all the risks and rewards of ownership of the financial assets. These transactions are accounted for as 'pass through' arrangements that result in derecognition if the Group:

- ① has no obligation to pay the cash flows to the ultimate recipient unless it receives the equivalent cash flows from the financial asset;
- ② is prohibited from selling or pledging the financial assets;
- ③ has the obligation to transfer all cash flows received from the financial assets to the ultimate recipient as soon as possible.

Collateral (shares or bonds) furnished by the Group under standard repurchase agreements and securities lending and borrowing transactions are not derecognised because the Group retains substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for derecognition are therefore not met.

Where the Group has transferred its contractual rights to receive cash flows and has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset nor retained control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement and recognises an associated liability to reflect the rights and obligations retained by the Group. If the transferred asset is measured at amortised cost, the net carrying amount of the transferred asset and associated liability is equal to the amortised cost of the rights or obligations retained by the group; if the transferred asset is measured at fair value, the net carrying amount of the transferred asset and associated liability is equal to the fair value of the rights and obligations retained by the Group.

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## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 9. Financial assets and financial liabilities (Continued)

#### (2) Financial liabilities

##### 1) Classification, recognition basis and measurement of financial liabilities

The Group's financial liabilities are classified into financial liabilities at FVTPL and other financial liabilities at initial recognition.

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL. They are subsequently measured at fair value. Gains or losses arising from changes in the fair value and dividends and interest expenses related to the financial liabilities are recognised in profit or loss.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method. The Group classifies financial liabilities as financial liabilities measured at amortised cost, except for: ① financial liabilities at FVTPL, including financial liabilities held for trading (including derivatives that are financial liabilities) and financial liabilities designated as at FVTPL; ② financial liabilities arising from the transfer of financial assets that do not qualify for derecognition or continuing involvement in the transferred financial assets; ③ financial guarantee contracts that do not fall under the above circumstances of ① or ②, and loan commitments at a below-market interest rate that do not fall under the above circumstances of ①.

Financial liabilities arising from contingent consideration recognised by the Group as the acquirer in a business combination not involving entities under common control are measured at FVTPL.

##### 2) Conditions for derecognition of financial liabilities

The Group derecognises financial liabilities (or part of it) when the present obligation of such financial liabilities is wholly or partially discharged. Where the Group enters into an agreement with creditors to replace the existing financial liabilities with new financial liabilities and the contractual terms of the new financial liabilities are substantially different from the existing financial liabilities, the existing financial liabilities are derecognised and the new financial liabilities are recognised at the same time. Where the Group makes substantial changes to all or part of the contractual terms of the existing financial liabilities, the existing financial liabilities or a portion thereof shall be derecognised, and the financial liabilities after the modification of terms shall be recognised as a new financial liability. The difference between the carrying amount of the financial liabilities derecognised and the consideration paid is recognised in profit or loss.

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## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 9. Financial assets and financial liabilities (Continued)

#### (3) *Determination of fair value of financial assets and financial liabilities*

The fair value of the Group's financial assets and financial liabilities are measured at the price in the principal market. If there is no principal market, the fair value of the financial assets and financial liabilities are measured at the price in the most advantageous market and using the valuation techniques that are appropriate at the time and with sufficient available data and other information. The inputs used in the fair value measurement are divided into three levels: Level 1 inputs are the unadjusted quoted price in active markets for identical assets or liabilities that can be obtained on the measurement date; Level 2 inputs are the directly or indirectly observable inputs of relevant assets or liabilities other than those within Level 1 inputs; Level 3 inputs are the unobservable inputs of relevant assets or liabilities. The Level 1 inputs are the first priority to use by the Group, and level 3 inputs will be the last one to use. The level to which the results of measurement of fair value belong is subject to the lowest level to which the inputs having great significance to the measurement of fair value as whole belong.

The Group's investments in equity instruments are measured at fair value. However, under limited circumstances, if the recent information used to determine the fair value is insufficient, or the possible estimated amount of the fair value is widely distributed, and the cost represents the best estimate of the fair value within the range, the cost can represent the appropriate estimate of the fair value within the distribution range.

#### (4) *Offset of financial assets and financial liabilities*

The Group's financial assets and financial liabilities are presented separately in the balance sheet and are not offset. However, if the following conditions are met, the net amount offset by each other is presented in the balance sheet: (1) the Group currently has a statutory right to set off the recognised amounts and such statutory right is currently enforceable; and (2) the Group intends either to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously.

#### (5) *Purchase under resale agreements and sale under repurchase agreements*

Purchase under resale agreements refer to the agreements under which the Group purchases an asset with an obligation to resell the same at an agreed price at the agreed date. Assets purchased are not recognised and receivables are presented as "financial assets purchased under resale agreements". Sale under repurchase agreements refer to the agreements under which the Group sales an asset with an obligation to repurchase the same at an agreed price at the agreed date. Assets sold are not derecognised and payables are presented as "financial assets sold under repurchase agreements". Interest income earned on purchase under resale agreements and interest expense paid on repurchase under resale agreements are recognised as interest income and interest expense over the period of the agreements using the effective interest method.

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## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 10. Long-term equity investments

Long-term equity investments include long-term equity investments in structured entities controlled by the Company and long-term equity investments in associates.

#### (1) *Subsidiaries*

Investments in subsidiaries (including investments in structured entities) are accounted for in the Company's financial statements using the cost method and are adjusted using the equity method when preparing the consolidated financial statements.

Long-term equity investments accounted for using the cost method are measured at initial investment cost. Cash dividends or profit distributions declared by the investee are recognised as investment income in profit or loss.

#### (2) *Associates*

An associate is an investee over which the Group has significant influence on its financial and operating policy decisions.

Investments in associates are accounted for using the equity method or fair value.

For a long-term equity investment accounted for using the equity method, where the initial investment cost exceeds the share of the fair value of the investee's identifiable net assets at the time of investment, the initial investment cost shall be taken as the long-term equity investment cost; where the initial investment cost is less than the share of the fair value of the investee's identifiable net assets at the time of investment, the difference is recognised in profit or loss, and the long-term equity investment cost will be adjusted upwards accordingly.

For long-term equity investments accounted for using the equity method, the Group recognizes the investment profit or loss according to its share of the net profit or loss of the investee. The Group discontinues recognising its share of net losses of the investee after the carrying amount of the long-term equity investment together with any long-term interests that in substance form part of the Group's net investment in the investee is reduced to zero. However, if the Group has obligations for additional losses and the criteria with respect to recognition of provisions are satisfied, the Group continues recognising its share of further losses. For changes in owners' equity other than net profit or loss, other comprehensive income and profit distribution of the investee, the carrying amount of the long-term equity investment shall be adjusted and included in capital reserve. The carrying amount of the investment is reduced by the Group's share of the profit or cash dividends declared by the investee. Unrealised gains and losses resulting from intra-group transactions between the Group and its investees are eliminated to the extent of the Group's interest in the investee, based on which investment gains and losses are recognised. Unrealised losses resulting from intra-group transactions between the Group and its investees, which are not attributable to asset impairment losses are not eliminated.

The Group elected to measure certain investments in associates indirectly held through venture capital institutions, mutual funds, trust products and similar entities including investment-linked insurance funds at FVTPL.

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## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 11. Fixed assets

Fixed assets of the Group include buildings, motor vehicles, electronic equipment and office equipment, etc. Fixed assets acquired or constructed are initially measured at cost at the time of acquisition.

Subsequent expenditures incurred for a fixed asset are included in the cost of the fixed asset when it is probable that the associated economic benefits will flow to the Group and the related cost can be reliably measured. The carrying amount of the replaced part is derecognised. All the other subsequent expenditures are recognised in profit or loss in the current period in which they are incurred.

Fixed assets are depreciated using the straight-line method to allocate the cost of the assets net of their estimated residual values over their estimated useful lives. For fixed assets where the provision for impairment has been made, the depreciation amount in the future will be determined at the carrying amount of the fixed assets where the provision for impairment has been deducted, based on the remaining useful lives.

The estimated useful lives, net residual value rates and annual depreciation rates of fixed assets are as follows:

No.	Category	Depreciation term (years)	Estimated residual value rate (%)	Annual depreciation rate (%)
1	Buildings	20-40	3.00	2.43-4.85
2	Motor vehicles	5-8	3.00	12.13-19.40
3	Electronic equipment	3-5	3.00	19.40-32.33
4	Office equipment	5-10	3.00	9.70-19.40

The Group reviews and makes appropriate adjustments to the estimated useful life estimated net residual value of a fixed asset and the depreciation method applied at each year-end.

A fixed asset is derecognised when it is disposed of or no economic benefits are expected to be generated from its use or disposal. When a fixed asset is sold, transferred, retired or damaged, the amount of any proceeds on disposal of the asset net of the carrying amount and related taxes is recognised in profit or loss.

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## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 12. Right-of-use assets

Right-of-use assets refer to the right of the Group as a lessee to use the leased assets during the lease term.

#### (1) Initial measurement

At the commencement date of the lease term, the Group initially measures the right-of-use assets at cost. Such cost includes the following four items: ① the initial measurement amount of the lease liability; ② the lease payments made on or before the commencement date of the lease term, less any lease incentives received; ③ the initial direct costs incurred, being the incremental costs incurred in achieving the lease; and ④ the costs expected to be incurred for dismantling and removing the leased asset, restoring the site on which it is located or restoring the leased asset to the condition required by the terms and conditions of the lease, except those incurred for the production of inventories.

#### (2) Subsequent measurement

After the commencement date of the lease term, the Group adopts the cost model for subsequent measurement of the right-of-use assets, which is to measure the right-of-use assets at cost less accumulated depreciation and accumulated impairment losses. If the Group re-measures the lease liabilities in accordance with the relevant provisions of the lease standards, the carrying amount of the right-of-use assets shall be adjusted accordingly.

#### *Depreciation of right-of-use assets*

Right-of-use assets are depreciated from the commencement date of the lease. Right-of-use assets are generally depreciated from the month when the lease term commences. The amount of depreciation provided is included in the cost of the related asset or profit or loss according to the purpose of the right-of-use asset.

When determining the depreciation method of the right-of-use assets, the Group makes a decision based on the expected pattern of consumption of the economic benefits related to the right-of-use assets, and depreciates the right-of-use assets on a straight-line basis.

In determining the depreciation period of the right-of-use asset, the Group follows the following principles: if it can be reasonably determined that the ownership of the leased asset can be obtained at the end of the lease term, the leased asset is depreciated over its remaining useful life; if it cannot be reasonably determined that the ownership of the leased asset can be obtained at the end of the lease term, the leased asset is depreciated over the shorter of the lease term and the remaining useful life of the leased asset.

#### *Impairment of right-of-use assets*

If the right-of-use asset is impaired, the Group depreciates the right-of-use asset based on the carrying amount after deducting the impairment loss.

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## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 13. Intangible assets

The intangible assets of the Group include software, etc., which are measured at the actual cost at the time of acquisition. For purchased intangible assets, the actual price paid and relevant other expenses are taken as the actual cost. For intangible assets invested by investors, the actual cost is determined according to the value agreed in the investment contract or agreement. If the value agreed in the contract or agreement is not fair, the actual cost is determined according to the fair value.

For intangible assets with definite useful lives, it is amortised systematically and reasonably in accordance with the expected realisation method of economic benefits related to the intangible asset within its useful life. If the expected realisation method cannot be reliably determined, it is amortised using the straight-line method. The specific terms are as follows:

Item	Amortisation term (years)
Software	5

For intangible assets with definite useful lives, an impairment is provided for based on the excess of the carrying amount over the recoverable amount when there is evidence at the balance sheet date that the intangible assets are impaired. For intangible assets with indefinite useful lives and those not ready for use, an impairment test is performed each year, irrespective of whether there is evidence of impairment.

### 14. Investment properties

Investment properties of the Group are properties held to earn rentals or for capital appreciation or both. Investment properties are initially measured at cost. Subsequent expenditures incurred for an investment property are included in the cost of the investment property if it is probable that the economic benefits associated with the asset will flow to the Group and its cost can be measured reliably. Other subsequent expenditures are recognised in profit or loss for the current the period in which they are incurred.

The Group adopts the cost model for subsequent measurement of investment properties, and depreciates or amortises them in accordance with the policies consistent with that of buildings and land use rights. When an investment property is sold, transferred, retired or damaged, the amount of any proceeds on disposal of the property net of the carrying amount and related taxes is recognised in profit or loss.

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## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 15. Impairment of long-term assets

Fixed assets, intangible assets and long-term equity investments in associates are tested for impairment if there is any indication that an asset may be impaired at the balance sheet date. Intangible assets not ready for intended use are tested for impairment at least annually, irrespective of whether there is any indication that the asset may be impaired. If the result of the impairment test indicates that the recoverable amount of an asset is less than its carrying amount, an impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. Provision for asset impairment is calculated and recognised on an individual asset basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of a group of assets to which the asset belongs is determined. An asset group is the smallest asset group that is able to generate cash inflows independently.

Once the above asset impairment loss is recognised, it will not be reversed in the subsequent period.

### 16. Long-term amortisation expenses

The Group's long-term amortisation expenses include decoration expenses. Such expenses are amortised evenly over the benefit period. If the long-term amortisation expenses are no longer beneficial to the subsequent accounting periods, the unamortised balance is then fully transferred to the profit or loss.

### 17. Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings with maturity of less than one year (inclusive) are short-term borrowings, and the remaining borrowings are long-term borrowings.

### 18. Lease liabilities

#### (1) Initial measurement

The Group initially measures the lease liability at the present value of the lease payments that are not paid at the commencement date of the lease term.

#### 1) Lease payments

Lease payments refer to the payments made by the Group to the lessor in relation to the right to use the leased asset during the lease term, including: ① fixed payments and in-substance fixed payments less any lease incentives; ② variable lease payments that depend on an index or a rate, which are determined at the initial measurement based on the index or rate at the commencement date of the lease term; ③ the exercise price of a purchase option if the Group is reasonably certain to exercise that option; ④ payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate; and ⑤ payments expected to be made based on the residual value of the guarantees provided by the Group.

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## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 18. Lease liabilities (Continued)

#### (1) Initial measurement (Continued)

##### 2) Discount rate

In calculating the present value of lease payments, the Group uses the incremental borrowing rate as the discount rate if the interest rate implicit in the lease is not readily determinable. The incremental borrowing rate is the rate that the Group must pay in the similar economic environment in order to obtain the assets whose value is close to that of right-of-use assets, and under similar pledge conditions in similar periods to borrow funds. The interest rate is related to: ① the Group's own situation, i.e. the Group's solvency and credit status; ② the term of "borrowing", i.e. the lease term; ③ the amount of "borrowing", i.e. the amount of lease liabilities; ④ the "mortgage conditions", i.e. the nature and quality of the underlying assets; ⑤ the economic environment, including the jurisdiction where the lessee is located, the pricing currency, the time of signing the contract, etc. The Group determines the incremental borrowing rate based on the interest rate of bank loans and adjusts by taking into account the above factors.

#### (2) Subsequent measurement

After the commencement date, the Group conducts the subsequent measurement of the lease liability according to the following principles: ① increasing the carrying amount of the lease liability when recognising the interest of the lease liability; ② reducing the carrying amount of the lease liability when making the lease payment; ③ re-measuring the carrying amount of the lease liability when there is a change in the lease payment due to revaluation or lease change.

The Group calculates the interest expense of the lease liability in each period of the lease term based on the fixed periodic interest rate and recognises it in profit or loss, except for those that should be capitalised. The periodic interest rate refers to the discount rate used by the Group in the initial measurement of lease liabilities, or the revised discount rate adopted by the Group when the lease liabilities need to be re-measured at revised discount rate due to the change in lease payment or lease change.

#### (3) Re-measurement

After the commencement date of the lease term, when the following circumstances occur, the Group re-measures the lease liabilities at the present value calculated based on the lease payments, and adjusts the carrying value of the right-of-use assets accordingly. If the carrying value of the right-of-use assets has been reduced to zero, but the lease liabilities still need to be further reduced, the Group will include the balance in the current profit and loss. The circumstances include ① any change in the fixed payment in substance (in this case, the original discount rate is used); ② any change in the expected payable amount of the residual value of the guarantee (in this case, the original discount rate is used); ③ any change in the indexes or ratios used to determine the lease payments (in this case, the revised discount rate is used); ④ any change in the evaluation result of the purchase option (in this case, the revised discount rate is used); ⑤ any change in evaluation result or actual exercise of the option to renew or terminate the lease (in this case, the revised discount rate is used).

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## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 19. Provisions

Provisions are recognised when the Group has a current obligation related to a contingency, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be measured reliably.

On the balance sheet date, provisions are measured at the best estimate of the expenditure required to settle the current obligation, taking into account factors pertaining to a contingency such as the risks, uncertainties and time value of money. Where the effect of the time value of money is material, the best estimate is determined by discounting the expected future cash outflows.

If all or part of the expenditure required to settle a provision is expected to be reimbursed by a third party, the reimbursement is recognised as a separate asset only when it is virtually certain that reimbursement will be received, and the amount of reimbursement recognised does not exceed the carrying amount of the provision.

### 20. Employee benefits

Employee benefits of the Group include short-term employee benefits, post-employment benefits, termination benefits and other long-term benefits.

#### (1) Short-term employee benefits

Short-term employee benefits include employee wages or salaries, bonus, allowance and subsidies, staff welfare, medical insurance, maternity insurance, housing funds, union running costs, employee education costs, short-term paid absences and so forth. Actual short-term employee benefits are recognised as a liability in the period in which the associated services are rendered by its employees, with a corresponding increase in the expenses in profit or loss or the cost of relevant assets. Non-monetary benefits are measured at fair value. Non-monetary benefits are measured at fair value.

#### (2) Post-employment benefits

The Group divides post-employment benefit plans into defined contribution plans and defined benefit plans. Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions. Defined benefit plans are post-employment benefit plans other than defined contribution plans. During the Reporting Period, the Group pays contributions to basic retirement insurance and unemployment insurance for the employees, which are both defined contribution plans.

#### (3) Termination benefits

The Group divides post-employment benefit plans into defined contribution plans and defined benefit plans. Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions. Defined benefit plans are post-employment benefit plans other than defined contribution plans. During the Reporting Period, the Group pays contributions to basic retirement insurance and unemployment insurance for the employees, which are both defined contribution plans.

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## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 20. Employee benefits (Continued)

#### (4) Other long-term benefits

- 1) Basic pension insurance: the employees of the Group participate in the social basic pension insurance organised and implemented by the local labour and social security authorities. The Group makes monthly contributions to the local social basic pension insurance authorities according to the base and percentage stipulated by the local regulations. After the retirement of employees, the local labour and social security authorities are responsible for the payment of the social basic pension to the retired employees. In the accounting period in which an employee renders services, the Group shall recognise the amount payable calculated in accordance with the above provisions as a liability, and charged to the current profit or loss or the cost of relevant assets.
- 2) Supplementary pension insurance: the Group provides supplementary pension insurance for employees in accordance with the enterprise annuity management plan, and pays supplementary pension insurance premiums to the enterprise annuity plan management agency. After the retirement of employees, the management organisation of the enterprise annuity plan is responsible for paying the supplementary social pension to the retired employees. In the accounting period in which an employee renders services, the Group shall recognise the amount payable calculated in accordance with the above regulations as a liability and charge to profit or loss for the current period.

### 21. Deferred income tax assets and deferred income tax liabilities

Deferred income tax assets and deferred income tax liabilities are recognised based on the temporary differences between the tax bases and the carrying amount of assets and liabilities. A deferred income tax asset is recognised for deductible losses that can be carried forward to subsequent years for deduction of the taxable profit in accordance with the tax laws. No deferred income tax asset or deferred income tax liability is recognised for the temporary differences resulting from the initial recognition of assets or liabilities due to a transaction other than a business combination, which affects neither accounting profit nor taxable profit (or deductible loss). At the balance sheet date, deferred income tax assets and deferred income tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled.

Deferred income tax assets are only recognised for deductible temporary differences, deductible losses and tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, deductible losses and tax credits can be utilised.

Deferred income tax liabilities are recognised for taxable temporary differences arising from investments in associates, except where the Group is able to control the timing of the reversal of the temporary differences, and it is probable that the temporary differences will not reverse in the foreseeable future. When it is probable that the temporary differences arising from investments in associates will be reversed in the foreseeable future and that the taxable profit will be available in the future against which the temporary differences can be utilised, the corresponding deferred income tax assets are recognised.

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## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 21. Deferred income tax assets and deferred income tax liabilities (Continued)

For a single transaction which is not a business combination, does not affect accounting profit or taxable income (or deductible loss) at the time of the transaction, and in which the initial recognition of assets and liabilities results in equal amounts of taxable temporary differences and deductible temporary differences (including lease transactions in which the lessee initially recognizes the lease liability on the commencement date of the lease term and credits the right-of-use asset, and transactions in which the anticipated liability is recognized and credited to the cost of the related asset due to the existence of an obligation to dispose of fixed assets, etc.), the taxable temporary differences and deductible temporary differences arising from the initial recognition of assets and liabilities of the transaction are recognised by the Group as deferred tax liabilities and deferred tax assets respectively at the time of the transaction.

Deferred income tax assets and deferred income tax liabilities are offset when: the deferred income tax assets and deferred income tax liabilities are related to the same tax payer within the Group and the same taxation authority; and that tax payer within the Group has a legally right to offset current income tax assets against current income tax liabilities.

### 22. Risk provision

Risk provision includes general risk reserve and trust compensation reserve.

#### (1) General risk reserve

Pursuant to Caijin [2012] No. 20 Notice on Issuing the Administrative Measures for the Provision of Reserves of Financial Enterprises issued by the MOF, the Company is required to appropriate no less than 1.5% of the ending balance of its risk-bearing assets to the general risk reserve. The scope of assets subject to risks and losses as specified in the above notices includes risk assets other than investment properties, fixed assets, intangible assets and deferred income tax assets. General risk reserve is appropriated from the net profit after tax for the year to cover potential losses that have not been identified and is included as a component of shareholders' equity.

#### (2) Trust compensation reserve

According to the Administrative Measures for Trust Companies (Order No. 2 [2007] of the former CBRC), the Company is required to set aside at least 5% of its after-tax profit each year as trust compensation reserve until the accumulated total of such reserve reaches 20% of its registered capital. On 10 March 2015, as considered and approved by the Board of the Company, the Company's trust compensation reserve ratio was changed from 5% to 10% of net profit after tax each year.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 January 2023 to 31 December 2023  
(All amounts expressed in RMB unless otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 23. Revenue recognition principles and measurement

Revenue is recognised by the Group based on the amount of consideration that it expects to be charged when clients obtain the control of relative goods or services.

#### (1) Fee and commission income

The Company acts as the trustee of the trust business to provide services to customers and recognises fee and commission income in accordance with the trustee's remuneration rate agreed in the contract or agreement and the accounting period in which the services are rendered.

#### (2) Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for:

For originated or purchased credit-impaired financial assets, interest income is calculated by applying the credit-adjusted original effective interest rate to the amortised cost of the financial asset.

Financial assets that are not originated or purchased credit-impaired but have subsequently become credit-impaired (or "Stage 3"), for which interest revenue is calculated by applying the effective interest rate to the amortised cost (i.e. net of the ECL allowance).

#### (3) Dividend income

Dividends are recognised as income when the right to receive payment is established.

### 24. Government grants

The Group's government grants are monetary assets or non-monetary assets obtained by the Group from the government free of charge, including tax refund, financial subsidies, etc.

Government grants are recognised when the Group can comply with the conditions attaching to them and the grants will be received. If a government grant is in the form of a monetary asset, it is measured at the amount received or receivable. If a government grant is in the form of a non-monetary asset, it is measured at fair value. If the fair value cannot be reliably determined, it is measured at a nominal amount.

Asset-related government grants refer to the government grants obtained by the Group for the acquisition, construction or other forms of long-term assets. Government grants related to income refer to government grants other than those related to assets.

For a government grant related to income, if the grant is a compensation for related expenses or losses to be incurred in subsequent periods, the grant is recognised as deferred income, and recognised in profit or loss over the periods in which the related costs are recognised; if the grant is a compensation for related expenses or losses already incurred, the grant is recognised immediately in profit or loss for the current period.

Government grants related to daily activities are included in operating profit, and government grants unrelated to daily activities are included in non-operating income and expenses.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 January 2023 to 31 December 2023

(All amounts expressed in RMB unless otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 25. Leases

#### (1) Identification of leases

Lease refers to a contract that the lessor transfers the right to use an asset to the lessee for a period of time in exchange for consideration. At the commencement date of the contract, the Group shall assess whether a contract is or contains a lease or not. It is classified as lease or contains a lease if a party transfers the right to control one or multiple identified assets for a period of time in exchange for consideration. For which, the Group evaluates whether the customer have the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use or the customer have the right to direct how and for what purpose the asset is used throughout the period of use.

If the contract contains multiple separate leases at the same time, the Group shall split the contract and account them separately. If the contract includes both lease and non-lease components, the Group shall account for the lease component of the contract separately from the non-lease component.

#### (2) The Group as the lessee

##### 1) Lease recognition

At the commencement of the lease term, the Group recognises the right-of-use asset and lease liabilities for the lease.

##### 2) Lease change

Lease change refers to the change of lease scope, lease consideration and lease term beyond the original contract terms, including the addition or termination of the right to use one or more leased assets, and the extension or shortening of the lease term specified in the contract. The effective date of lease change refers to the date when both parties reach an agreement on lease change.

If the lease changes and meets the following conditions at the same time, the Group will take the lease change as a separate lease for the accounting treatment: ① the lease change expands the lease scope or extend the lease term by increasing the right to use one or more leased assets; and ② the increased consideration is equivalent to the amount by adjusting the separate price of the expanded lease scope or the extended lease term according to the contract.

If the lease change is not taken as a separate lease for the accounting treatment, the Group will, on the effective date of the lease change, apportion the consideration of the changed contract in accordance with the relevant provisions of the leasing standards, and redetermine the changed lease term; and use the revised discount rate to discount the changed lease payment to remeasure the lease liabilities. In calculating the present value of the changed lease payment, the Group adopts the interest rate implicit in lease in the remaining lease term as the discount rate. If it is impossible to determine the interest rate implicit in lease in the remaining lease term, the Group will adopt the lessee's incremental borrowing rate at the effective date of the lease change as the discount rate. As for the impact of the above adjustment of lease liabilities, the Group carries out the accounting treatment according to the following circumstances: ① if the lease scope is reduced or the lease term is shortened due to the lease change, the lessee shall reduce the book value of the right-of-use asset and include the relevant gains or losses from the partial termination or complete termination of the lease into the current profits and losses. ② If the lease liabilities are remeasured due to the other lease changes, the lessee shall adjust the book value of the right-of-use asset accordingly.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 25. Leases (Continued)

#### (2) *The Group as the lessee (Continued)*

##### 3) *Short-term lease and low-value asset lease*

For the short-term lease with a lease term of not more than 12 months and low-value asset lease with a lower value when a single leased asset is brand new, the Group chooses not to recognise the right-of-use asset and lease liabilities. The Group will include the lease payment for short-term lease and low-value asset lease into the related asset cost or current profits and losses by the straight-line method or other systematic and reasonable methods during each lease term.

#### (3) *The Group as the lessor*

On the basis that the contract evaluated in (1) is the lease or includes the lease, the Group, as the lessor, divides the lease into finance leases and operating leases on the lease commencement date.

If a lease substantially transfers almost all the risks and rewards related to the ownership of the leased asset, the lessor shall classify the lease as a finance lease and other leases other than the finance lease as an operating lease.

##### 1) *Accounting treatment for finance lease*

The Group has no finance lease business.

##### 2) *Accounting treatment of operating lease*

When the Group leases out self-owned buildings, rental income from an operating lease is recognised on a straight-line basis over the period of the lease. Variable rent calculated at a certain proportion of the sales amount is recognised in rental income when it is incurred.

When a lease is changed, the Group regards it as a new lease from the effective date of the change, and treats the advance or receivable lease payments related to the lease before the charge as the receipts for the new lease.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 January 2023 to 31 December 2023

(All amounts expressed in RMB unless otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 26. Segment information

The Group determines the operating segments based on the internal organisational structure, management requirements and internal reporting system, and determines the reporting segments based on the operating segments and discloses the segment information. The senior management represented by the general manager is the Group's chief operating decision maker.

Segment assets and liabilities, segment revenue, expenses and operating results are measured in accordance with the Group's accounting policies. There are no differences between the accounting policies used in preparing the operating segment information and those used in the preparation of the Group's financial statements.

Segment revenue, operating results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

### 27. Trust business

According to the Trust Law of the People's Republic of China and other provisions, "Trust property is distinct from all property belonging to the trustee (hereinafter referred to as "**proprietary property**"), and shall not be included in the proprietary assets of the trustee or become part of the proprietary assets. The Group separately manages and accounts for its proprietary assets and trust assets. Trust projects managed by the Company refer to the basic units that the trustee manage, use or dispose of trust assets individually or collectively according to the provisions of the trust documents. Each trust project is regarded as an independent accounting entity to independently calculate the management, use and disposal of trust assets. Except for the trust schemes which are consolidated into the financial statements, the assets, liabilities and profit or loss arising from the trust business are not included in the financial statements of the Group.

### 28. Critical accounting estimates and judgments

The Group continually evaluates the critical accounting estimates and key judgments applied based on historical experience and other factors, including reasonable expectations of future events. The critical accounting judgements and estimates that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below. The actual results in the future may differ materially from the accounting estimates and judgments described below.

#### (1) Measurement of ECL

The measurement of the ECL allowance for financial assets measured at amortised cost and FVTOCI is an area that requires the use of complex models and significant assumptions about future microeconomic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). The Group regularly monitors and reviews important macroeconomic assumptions and parameters related to the calculation of ECL. Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is detailed in Note IX.1.(2)③, which also disclose sensitivities of the ECL to changes in these elements.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as: choosing appropriate models and assumptions for the measurement of ECL; determining criteria for significant increase in credit risk, defaulting and credit impairment; applying the economic indicators for forward-looking measurement, economic scenarios and weightings; and forecasting the future cash flows for corporate loans in stage 3.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 January 2023 to 31 December 2023  
(All amounts expressed in RMB unless otherwise stated)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 28. Critical accounting estimates and judgments (Continued)

#### (2) *Fair value of financial instruments*

The Group uses valuation technique for financial instruments which are not quoted in an active market. Valuation techniques include reference to the transaction prices determined in arm's length market transactions between knowledgeable and willing economic entities, reference to the fair value of another similar financial instrument in the market, or the use of discounted cash flow analysis and option pricing models. Valuation techniques maximise the use of market information where it is available. However, where market information is not available, the Group uses assumptions that are calibrated as closely as possible to market observable data. The management will make estimates about the Group's and the counterparty's credit risk, market volatility and correlations. Changes in these assumptions could affect the fair value of financial instruments.

#### (3) *Whether the Company has control over structured entities*

When the Company acts as a trustee of a trust scheme and assumes responsibility for asset management, the Company determines whether it is an agent or a principal in relation to the trust scheme to assess whether the Company controls the trust scheme and should consolidate it. In making this assessment, the Company considers a wide range of factors and reassesses them when there are changes in those factors, such as the scope of the Company's decision-making authority over the trust schemes, the power held by other parties, the remuneration to which the Company is entitled in exchange for providing the asset management services, the Company's exposure to variability of returns from other interests that it holds in the trust schemes (e.g. direct investments).

#### (4) *Income tax expenses*

There are some transactions and events for which the ultimate tax determination is uncertain during the ordinary course of business. Significant judgment is required in determining the provision for income taxes in each of these jurisdictions. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the amounts of the current income tax expenses and deferred income tax expenses in the period in which final determination is made.

### 29. Changes in significant accounting policies and accounting estimates

#### (1) *Changes in significant accounting policies*

The Group had no significant changes in accounting policies during the year.

#### (2) *Changes in significant accounting estimates*

The Group had no significant changes in accounting estimates during the year.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 January 2023 to 31 December 2023

(All amounts expressed in RMB unless otherwise stated)

## V. TAXES

### 1. Main taxes and tax rates

Tax type	Taxation basis	Tax rate
Value-added tax	For the value-added tax taxable activities occurred during the operation of asset management products by the manager of asset management products, the value-added tax shall be paid at the rate of 3%. Output tax is calculated at a tax rate of 6% on the taxable income, and is levied according to the difference after deducting deductible input tax for the current period	3%, 6%
City construction and maintenance tax	Turnover tax payable	7%
Education surcharges	Turnover tax payable	3%
Local education surcharge	Turnover tax payable	2%
Corporate income tax	Taxable income	25%

### 2. Tax preferences

According to Article 4 of the Notice on Clarifying the Value-added Tax Policies for Financial Real Estate Development and Education Ancillary Services (Cai Shui [2016] No. 140) issued by the MOF and the State Administration of Taxation, "the manager of asset management products shall be the value-added tax payer for the taxable activities of asset management products during the operation process."

According to the Notice on the Relevant Issues of Value-added Tax on Asset Management Products (Cai Shui [2017] No. 56) issued by the MOF and the State Administration of Taxation, a simplified tax calculation method is temporarily applicable for the value-added tax taxable activities (hereinafter referred to as the asset management product operation business) occurred during the operation of asset management products by the manager of asset management products (hereinafter referred to as the manager), and the value-added tax shall be paid at the rate of 3%.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 January 2023 to 31 December 2023  
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## VI. NOTES TO MAJOR ITEMS IN THE FINANCIAL STATEMENTS

For the financial statements data disclosed below, unless otherwise stated, the “opening” refers to 1 January 2023; and the “closing” refers to 31 December 2023. The “current year” refers to the period from 1 January 2023 to 31 December 2023; and the “previous year” refers to the period from 1 January 2022 to 31 December 2022. The currency unit is RMB.

### 1. Monetary assets

Item	Closing balance	Opening balance
Cash on hand		
Bank deposit	219,277,117.03	436,339,318.04
Other monetary assets	64,619,767.48	1,804,251,166.08
Total	283,896,884.51	2,240,590,484.12
Including: Total amount deposited overseas		

Note 1: As of 31 December 2023, bank deposits attributable to the consolidated structured entities amounted to RMB51 million (31 December 2022: RMB31 million). These bank deposits belong to trust assets. According to the Trust Law of the People’s Republic of China, trust assets are separate from all properties owed by the trustee (the “**proprietary assets**”) and are separately managed and accounted.

Note 2: As of 31 December 2023, the Group’s bank account funds of RMB115 million were frozen due to litigation.

Note 3: Other monetary assets are deposits with securities companies.

### 2. Accounts receivable

#### (1) Classification of Accounts receivable

item	Ending balance	Opening balance
Original value of trustee’s remuneration receivable	186,186,000.01	154,939,322.59
Less: bad debt provision	13,653,633.48	6,811,988.75
Net value of trustee’s remuneration receivable	172,532,366.53	148,127,333.84

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 January 2023 to 31 December 2023

(All amounts expressed in RMB unless otherwise stated)

## VI. NOTES TO MAJOR ITEMS IN THE FINANCIAL STATEMENTS (CONTINUED)

### 2. Accounts receivable (Continued)

#### (2) Accounts receivable classified and presented by provision for bad debts

Category	Book balance		Closing balance		Book value
	Amount	Proportion (%)	Amount	Provision ratio (%)	
Provision for bad debts made according to the general model of expected credit losses	186,186,000.01	100.00	13,653,633.48	7.33	172,532,366.53
Total	186,186,000.01	100.00	13,653,633.48	7.33	172,532,366.53

Category	Book balance		Opening balance		Book value
	Amount	Proportion (%)	Amount	Provision ratio (%)	
Provision for bad debts made according to the general model of expected credit losses	154,939,322.59	100.00	6,811,988.75	4.40	148,127,333.84
Total	154,939,322.59	100.00	6,811,988.75	4.40	148,127,333.84

#### (3) Provision for bad debts accrued, recovered or reversed during the year for accounts receivables

Category	Opening balance	Provision	Change in the year			Closing balance
			Recovery or reversal	Resale or write-off	Others	
Provision for bad debts of accounts receivable	6,811,988.75	6,841,644.73				13,653,633.48
Total	6,811,988.75	6,841,644.73				13,653,633.48

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 January 2023 to 31 December 2023  
(All amounts expressed in RMB unless otherwise stated)

## VI. NOTES TO MAJOR ITEMS IN THE FINANCIAL STATEMENTS (CONTINUED)

### 2. Accounts receivable (Continued)

(4) Accounts receivable without write-off for the current year

(5) Top five accounts receivable by closing balance collected by debtors

Name of entities	Closing balance of accounts receivable	Percentage of total closing balance of accounts receivable (%)	Closing Balance of provision for bad debts of accounts receivable
Entity 1	24,040,034.50	12.91	1,387,109.99
Entity 2	20,210,106.58	10.85	1,121,660.92
Entity 3	7,311,966.07	3.93	405,814.12
Entity 4	6,960,602.50	3.74	386,313.44
Entity 5	6,684,464.80	3.59	1,076,198.83
Total	65,207,174.45	35.02	4,377,097.30

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 January 2023 to 31 December 2023

(All amounts expressed in RMB unless otherwise stated)

## VI. NOTES TO MAJOR ITEMS IN THE FINANCIAL STATEMENTS (CONTINUED)

### 3. Financial assets purchased under resale agreements

Item (Investee)	Closing balance	Opening balance
Reverse repurchase of government bonds	395,049,249.50	357,260,491.66
Less: bad debt reserve		
Total book value	395,049,249.50	357,260,491.66

### 4. Loans and advances to customers

#### (1) Information on loans and advances to customers

Item	Book balance	Closing balance	
		Loss allowance	Book value
Principal	2,428,707,215.22	339,298,759.90	2,089,408,455.32
Interest receivables	125,370,637.71	13,253,879.26	112,116,758.45
Total	2,554,077,852.93	352,552,639.16	2,201,525,213.77

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 January 2023 to 31 December 2023  
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## VI. NOTES TO MAJOR ITEMS IN THE FINANCIAL STATEMENTS (CONTINUED)

### 4. Loans and advances to customers (Continued)

#### (1) Information on loans and advances to customers (Continued)

(Continued)

Item	Book balance	Opening balance	
		Loss allowance	Book value
Principal	1,238,307,700.00	229,178,466.82	1,009,129,233.18
Interest receivables	15,708,960.54	867,099.53	14,841,861.01
Total	1,254,016,660.54	230,045,566.35	1,023,971,094.19

Changes of impairment reserves for loans and advances to customers in current year

Item	Opening balance	Increase in current year	Decrease in current year	Closing balance
Principal	229,178,466.82	147,727,993.08	37,607,700.00	339,298,759.90
Interest receivables	867,099.53	12,386,779.73		13,253,879.26
Total	230,045,566.35	160,114,772.81	37,607,700.00	352,552,639.16

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 January 2023 to 31 December 2023

(All amounts expressed in RMB unless otherwise stated)

## VI. NOTES TO MAJOR ITEMS IN THE FINANCIAL STATEMENTS (CONTINUED)

### 4. Loans and advances to customers (Continued)

#### (2) Accrual of impairment reserves for loans and advances to customers

Provision for bad debts	Stage 1 Expected credit losses for the next 12 months	Stage 2 Expected credit loss for the entire duration (no credit impairment)	Stage 3 Expected credit loss for the entire duration (credit impairment has occurred)	Total
<b>Balance as of 1 January 2023</b>	52,911,834.61	795,480.00	176,338,251.74	230,045,566.35
Balance as of 1 January 2023 in current year	—	—	—	—
– Transfer to stage 2				
– Transfer to stage 3	-13,789,351.38	-795,480.00	14,584,831.38	
– Reverse to stage 2				
– Reverse to stage 1				
Accrual in current year	2,677,790.21	129,832,315.97	27,604,666.63	160,114,772.81
Reversal in current year				
Cancellation in current year			37,607,700.00	37,607,700.00
Charge off in current year				
Other changes				
<b>Balance as of 31 December 2023</b>	41,800,273.44	129,832,315.97	180,920,049.75	352,552,639.16

(3) No loans and advances to customers were actually written off in current year

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 January 2023 to 31 December 2023  
(All amounts expressed in RMB unless otherwise stated)

## VI. NOTES TO MAJOR ITEMS IN THE FINANCIAL STATEMENTS (CONTINUED)

### 5. Financial assets held for trading

Item	Closing balance	Opening balance
Financial assets at fair value through profit or loss	4,506,454,958.18	4,082,960,835.53
Including: Stock investments	1,481,480,500.44	43,366,067.00
Public fund investments	783,319,294.32	1,472,193,837.84
Investments in asset management plans	937,216,509.01	697,700,734.59
Bonds investment	11,628,084.26	390,546,036.30
Unlisted company equity investments	661,871,769.23	596,213,826.59
Trust Industry Protection Fund	112,308,002.18	109,880,741.47
Investment trust schemes	518,630,798.74	773,059,591.74
Total	4,506,454,958.18	4,082,960,835.53

Note 1: The amounts mainly represent the Group's investments in certain asset management products managed by third party financial institutions such as banks and security companies in the PRC.

Note 2: In accordance with the notice "Administrative rule of Trust Industry Protection Fund" jointly issued by the CBIRC and Ministry of Finance of the PRC ("MOF") on 10 December 2014 (YJF [2014] No. 50) and relevant requirements in the notice issued by the CBIRC on 25 February 2015 (YJF [2015] No. 32) concerning Detailed Procedures of Collection and Administration of Trust Industry Protection Fund, trust companies in China are required to make contributions to the Trust Industry Protection Fund (the "Fund") that was established and managed by China Trust Protection Fund Co., Ltd., a company established jointly by China Trust Association and certain trust companies in China. The amount of contributions to the Fund consists of the following components:

- 1% of the trust company's net assets at the end of proceeding financial year as each trust company's own contribution, subject to the dynamic adjustment based on the net asset balance in the preceding year prior to the end of April every year.
- 1% of total proceeds received from issuance of each trust product. For financing trust schemes, the Fund is subscribed by the borrower through the trust company. For trust products which invest in standardised financial products, the Fund is contributed by the trust company.
- For a new property trust, the Fund is contributed by the trust company at 5% of the company's remuneration.
- The Fund can only be utilised when the trust company has entered into restructuring, bankruptcy, liquidation or liquidity crisis due to continuous operating losses. The Fund can be invested in bank deposits, inter-bank market, government bonds, PBOC notes, financial bonds, money market funds etc.

As of 31 December 2023, the Group should contribute RMB112,308,002.18 to the Fund in accordance with the aforesaid requirement, and has paid it in full.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 January 2023 to 31 December 2023

(All amounts expressed in RMB unless otherwise stated)

## VI. NOTES TO MAJOR ITEMS IN THE FINANCIAL STATEMENTS (CONTINUED)

### 6. Debt investments

#### (1) Details of debt investments

Item	Book balance	Closing balance	
		Loss allowance	Book value
Principal	6,813,114,600.48	2,321,985,255.43	4,491,129,345.05
Interest receivables	17,822,396.37	1,695,137.34	16,127,259.03
Total	6,830,936,996.85	2,323,680,392.77	4,507,256,604.08

Item	Book balance	Opening balance	
		Loss allowance	Book value
Principal	6,005,546,009.26	2,176,001,905.89	3,829,544,103.37
Interest receivables	3,357,472.34	166,742.78	3,190,729.56
Total	6,008,903,481.60	2,176,168,648.67	3,832,734,832.93

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 January 2023 to 31 December 2023  
(All amounts expressed in RMB unless otherwise stated)

## VI. NOTES TO MAJOR ITEMS IN THE FINANCIAL STATEMENTS (CONTINUED)

### 6. Debt investments (Continued)

#### (1) Details of debt investments (Continued)

Changes in impairment reserves of debt investment in current year

Item	Opening balance	Increase in current year	Decrease in current year	Closing balance
Principal	2,176,001,905.89	307,853,621.63	161,870,272.09	2,321,985,255.43
Interest receivables	166,742.78	1,528,394.56		1,695,137.34
Total	2,176,168,648.67	309,382,016.19	161,870,272.09	2,323,680,392.77

#### (2) Accrual of impairment reserve for debt investment

Provision for bad debts	Stage 1	Stage 2	Stage 3	Total
	Expected credit losses for the next 12 months	Expected credit loss for the entire duration (no credit impairment)	Expected credit loss for the entire duration (credit impairment has occurred)	
<b>Balance as of 1 January 2023</b>	7,384,385.61	62,305,373.25	2,106,478,889.81	2,176,168,648.67
Balance as of 1 January 2023 in current year	—	—	—	—
- Transfer to stage 2	-1,007,790.43	1,007,790.43		
- Transfer to stage 3		-62,204,036.52	62,204,036.52	
- Reverse to stage 2				
- Reverse to stage 1				
Accrual in current year	43,868,673.34	26,001,892.26	239,511,450.59	309,382,016.19
Reversal in current year				
Cancellation in current year			161,870,272.09	161,870,272.09
Charge off in current year				
Other changes				
<b>Balance as of 31 December 2023</b>	50,245,268.52	27,111,019.42	2,246,324,104.83	2,323,680,392.77

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 January 2023 to 31 December 2023

(All amounts expressed in RMB unless otherwise stated)

## VI. NOTES TO MAJOR ITEMS IN THE FINANCIAL STATEMENTS (CONTINUED)

### 7. Long-term equity investments

Item	Closing balance	Opening balance
Associates accounted for using equity method	521,590,675.22	515,702,755.86
Enterprises invested by the consolidated structured entities	322,478,427.00	387,404,424.00
Total	844,069,102.22	903,107,179.86

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 January 2023 to 31 December 2023  
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## VI. NOTES TO MAJOR ITEMS IN THE FINANCIAL STATEMENTS (CONTINUED)

### 7. Long-term equity investments (Continued)

#### (1) Associates accounted for using equity method

Investee	Opening balance (Book value)	Increase investment	Reduce investment	Investment profit confirmed under equity method	Increase or decrease in current year				Closing balance (Book value)	Balance of provision for impairment at the end of the year
					Adjustment of other comprehensive income	Change in other equities	Declared cash dividend or profit	Accrual of impairment reserve Others		
Dezhou Bank Co. Ltd.	122,823,350.45			5,914,602.22	1,512,101.50				130,250,054.17	
Sinotruk Auto Finance Co., Ltd.	218,078,660.68			7,072,819.46	3,609.84				225,155,089.98	
Taishan Property & Casualty Insurance Co., Ltd.	171,033,112.06			-3,716,662.83	-5,039,169.13				162,277,280.10	
Anhui Luxin Private Equity Investment Fund Management Co., Ltd.	3,767,632.67			921,868.30			-781,250.00		3,908,250.97	
<b>Total</b>	<b>515,702,755.86</b>			<b>10,192,627.15</b>	<b>-3,523,457.79</b>		<b>-781,250.00</b>		<b>521,590,675.22</b>	

#### (2) Enterprises invested by the consolidated structured entities

Item	Closing balance	Opening balance
<b>Opening balance</b>	<b>387,404,424.00</b>	349,318,973.86
Increase in current year		
Decrease in current year	<b>49,571,500.00</b>	44,000,000.00
Other change	<b>-15,354,497.00</b>	82,085,450.14
<b>Closing balance</b>	<b>322,478,427.00</b>	387,404,424.00

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 January 2023 to 31 December 2023

(All amounts expressed in RMB unless otherwise stated)

## VI. NOTES TO MAJOR ITEMS IN THE FINANCIAL STATEMENTS (CONTINUED)

### 8. Investment properties

#### (1) Investment properties measured by cost method

Item	House and buildings	Land use rights	Total
I. Original book value			
1. Opening balance	150,617,894.92		150,617,894.92
2. Increase in current year	138,199,874.67		138,199,874.67
(1) External purchase			
(2) Transfer from fixed assets or construction in process	138,199,874.67		138,199,874.67
3. Decrease in current year			
(1) Disposal			
(2) Other transfer out			
4. Closing balance	288,817,769.59		288,817,769.59
II. Accumulated depreciation and accumulated amortization			
1. Opening balance	13,009,620.88		13,009,620.88
2. Increase in current year	62,987,237.04		62,987,237.04
(1) Provision or amortization	6,633,011.83		6,633,011.83
(2) Transfer from fixed assets or construction in process	56,354,225.21		56,354,225.21
3. Decrease in current year			
(1) Disposal			
(2) Other transfer out			
4. Closing balance	75,996,857.92		75,996,857.92
III. Impairment reserve			
1. Opening balance			
2. Increase in current year			
(1) Provision			
3. Decrease in current year			
(1) Disposal			
(2) Other transfer out			
4. Closing balance			
IV. Book value			
1. Book value at the end of the year	212,820,911.67		212,820,911.67
2. Book value at the beginning of the year	137,608,274.04		137,608,274.04

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 January 2023 to 31 December 2023  
(All amounts expressed in RMB unless otherwise stated)

## VI. NOTES TO MAJOR ITEMS IN THE FINANCIAL STATEMENTS (CONTINUED)

### 8. Investment properties (Continued)

(2) The Group had no investment properties without the property right certificate.

### 9. Fixed assets

Item	Book value at the end of the year	Book value at the beginning of the year
Fixed assets	42,637,817.33	127,797,634.76
Liquidation of fixed assets		
Total	42,637,817.33	127,797,634.76

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 January 2023 to 31 December 2023

(All amounts expressed in RMB unless otherwise stated)

## VI. NOTES TO MAJOR ITEMS IN THE FINANCIAL STATEMENTS (CONTINUED)

### 9. Fixed assets (Continued)

#### 9.1 Fixed assets

##### (1) Situations of fixed assets

Item	House and buildings	Transport tool	Electronic equipment	Office equipment	Total
I. Original book value					
1. Opening balance	155,692,069.95	2,799,452.06	30,207,222.21	10,198,931.21	198,897,675.43
2. Increase in					
current year			7,974,831.38	572,676.68	8,547,508.06
(1) Purchase			7,974,831.38	572,676.68	8,547,508.06
3. Decrease in current year	138,199,874.67		4,002,892.03	2,111,462.82	144,314,229.52
(1) Disposal or retirement			4,002,892.03	2,111,462.82	6,114,354.85
(2) Transfer to investment properties	138,199,874.67				138,199,874.67
4. Closing balance	17,492,195.28	2,799,452.06	34,179,161.56	8,660,145.07	63,130,953.97
II. Accumulated depreciation					
1. Opening balance	54,960,194.82	1,769,369.16	10,969,236.24	3,401,240.45	71,100,040.67
2. Increase in current year	3,431,657.87	251,882.83	5,618,038.00	1,582,927.22	10,884,505.92
(1) Provision	3,431,657.87	251,882.83	5,618,038.00	1,582,927.22	10,884,505.92
3. Decrease in current year	56,354,225.21		3,764,961.27	1,372,223.47	61,491,409.95
(1) Disposal or retirement			3,764,961.27	1,372,223.47	5,137,184.74
(2) Transfer to investment properties	56,354,225.21				56,354,225.21
4. Closing balance	2,037,627.48	2,021,251.99	12,822,312.97	3,611,944.20	20,493,136.64
III. Impairment reserve					
1. Opening balance					
2. Increase in current year					
(1) Provision					
3. Decrease in current year					
(1) Disposal or retirement					
4. Closing balance					
IV. Book value					
1. Book value at the end of the year	15,454,567.80	778,200.07	21,356,848.59	5,048,200.87	42,637,817.33
2. Book value at the beginning of the year	100,731,875.13	1,030,082.90	19,237,985.97	6,797,690.76	127,797,634.76

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 January 2023 to 31 December 2023  
(All amounts expressed in RMB unless otherwise stated)

## VI. NOTES TO MAJOR ITEMS IN THE FINANCIAL STATEMENTS (CONTINUED)

### 9. Fixed assets (Continued)

#### 9.1 Fixed assets (Continued)

(2) As of 31 December 2023, the Group temporarily had no idle fixed assets.

(3) As of 31 December 2023, the Group had no fixed assets leased through operating lease

(4) As of 31 December 2023, the Group had no fixed assets for which the property right certificates have not been completed

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 January 2023 to 31 December 2023

(All amounts expressed in RMB unless otherwise stated)

## VI. NOTES TO MAJOR ITEMS IN THE FINANCIAL STATEMENTS (CONTINUED)

### 10. Right-of-use assets

Item	House and buildings	Total
I. Original book value		
1. Opening balance	89,381,404.30	89,381,404.30
2. Increase in current year	3,540,645.77	3,540,645.77
(1) Rent	3,540,645.77	3,540,645.77
3. Decrease in current year	2,795,138.31	2,795,138.31
(1) Disposal	2,795,138.31	2,795,138.31
4. Closing balance	90,126,911.76	90,126,911.76
II. Accumulated depreciation		
1. Opening balance	19,820,148.74	19,820,148.74
2. Increase in current year	25,055,285.29	25,055,285.29
(1) Provision	25,055,285.29	25,055,285.29
3. Decrease in current year	2,274,424.19	2,274,424.19
(1) Disposal	2,274,424.19	2,274,424.19
4. Closing balance	42,601,009.84	42,601,009.84
III. Impairment reserve		
1. Opening balance		
2. Increase in current year		
(1) Provision		
3. Decrease in current year		
(1) Disposal		
4. Closing balance		
IV. Book value		
1. Book value at the end of the year	47,525,901.92	47,525,901.92
2. Book value at the beginning of the year	69,561,255.56	69,561,255.56

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 January 2023 to 31 December 2023  
(All amounts expressed in RMB unless otherwise stated)

## VI. NOTES TO MAJOR ITEMS IN THE FINANCIAL STATEMENTS (CONTINUED)

### 11. Intangible assets

#### (1) Details of intangible assets

Item	Land use rights	Software	Total
I. Original book value			
1. Opening balance	15,566,146.46	47,861,629.70	63,427,776.16
2. Increase in current year		20,061,276.23	20,061,276.23
(1) Purchase		20,061,276.23	20,061,276.23
(2) Internal R & D			
(3) Increase from enterprise merger			
3. Decrease in current year			
(1) Disposal			
4. Closing balance	15,566,146.46	67,922,905.93	83,489,052.39
II. Accumulated amortization			
1. Opening balance	15,566,146.46	18,765,773.68	34,331,920.14
2. Increase in current year		8,177,932.91	8,177,932.91
(1) Provision		8,177,932.91	8,177,932.91
3. Decrease in current year			
(1) Disposal			
4. Closing balance	15,566,146.46	26,943,706.59	42,509,853.05
III. Impairment reserve			
1. Opening balance			
2. Increase in current year			
(1) Provision			
3. Decrease in current year			
(1) Disposal			
4. Closing balance			
IV. Book value			
1. Book value at the end of the year		40,979,199.34	40,979,199.34
2. Book value at the beginning of the year		29,095,856.02	29,095,856.02

(2) As at 31 December 2023, the Group had no land use rights without the proprietorship certificate

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 January 2023 to 31 December 2023

(All amounts expressed in RMB unless otherwise stated)

## VI. NOTES TO MAJOR ITEMS IN THE FINANCIAL STATEMENTS (CONTINUED)

### 12. Long-term amortisation expenses

Item	Opening balance	Increase in current year	Amortization in current year	Other decreases in current year	Closing balance
Decoration expense	31,411,425.43	788,951.25	10,073,832.81	1,312,182.64	20,814,361.23
Total	31,411,425.43	788,951.25	10,073,832.81	1,312,182.64	20,814,361.23

### 13. Deferred income tax assets and deferred income tax liabilities

#### (1) Deferred tax assets without offsetting

Item	Closing balance		Opening balance	
	Deductible temporary difference	Deferred income tax Assets	Deductible temporary difference	Deferred income tax Assets
Assets impairment reserve	2,572,286,630.42	643,071,657.63	2,381,197,361.61	595,299,340.42
Accrued but unpaid wages and bonuses	74,580,027.40	18,645,006.85	84,252,667.37	21,063,166.84
Fair value change	108,501,690.29	27,125,422.57	48,618,434.89	12,154,608.72
Provisions	120,809,836.02	30,202,459.01		
Lease liabilities	40,148,582.51	10,037,145.63		
Accumulated profit or loss of consolidated trust scheme attributable to the Company	5,472,340.17	1,368,085.04		
Total	2,921,799,106.81	730,449,776.73	2,514,068,463.87	628,517,115.98

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 January 2023 to 31 December 2023  
(All amounts expressed in RMB unless otherwise stated)

## VI. NOTES TO MAJOR ITEMS IN THE FINANCIAL STATEMENTS (CONTINUED)

### 13. Deferred income tax assets and deferred income tax liabilities (Continued)

#### (2) Deferred income tax liabilities without offsetting

Item	Closing balance		Opening balance	
	Taxable temporary difference	Deferred income tax Liabilities	Taxable temporary difference	Deferred income tax Liabilities
Changes in fair value on financial assets at fair value through profit or loss	483,249,363.36	120,812,340.84	185,371,435.56	46,342,858.89
Accumulated profit or loss of consolidated trust scheme attributable to the Company			95,156,495.63	23,789,123.91
Right-of-use assets	48,892,130.06	12,223,032.52		
Total	532,141,493.42	133,035,373.36	280,527,931.19	70,131,982.80

#### (3) Net deferred income tax assets or liabilities are shown presented after offset

Item	Year-end offset amount of deferred income tax assets and liabilities	Closing balance of deferred income tax assets or liabilities after offset	Offset amount	Opening balance
			between deferred income tax assets and liabilities at the beginning of the year	of deferred income tax assets or liabilities after offset
Deferred income tax assets	133,035,373.36	597,414,403.37	70,131,982.80	558,385,133.18
Deferred income tax liabilities	133,035,373.36		70,131,982.80	

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 January 2023 to 31 December 2023

(All amounts expressed in RMB unless otherwise stated)

## VI. NOTES TO MAJOR ITEMS IN THE FINANCIAL STATEMENTS (CONTINUED)

### 14. Other Assets

Item	Closing balance	Opening balance
Advance Payments	27,453,305.93	29,378,525.80
Other receivables	243,399,954.73	209,210,138.96
Other assets	25,054,076.90	1,754,076.90
<b>Total</b>	<b>295,907,337.56</b>	<b>240,342,741.66</b>

#### 14.1 Advance Payments

##### (1) Aging of advance payments

Item	Closing balance		Opening balance	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	20,097,475.85	73.21	18,942,299.54	64.48
1-2 years	5,373,211.43	19.57	10,283,499.30	35.00
2-3 years	1,869,711.69	6.81	8,005.00	0.03
Over 3 years	112,906.96	0.41	144,721.96	0.49
<b>Total</b>	<b>27,453,305.93</b>	<b>100.00</b>	<b>29,378,525.80</b>	<b>100.00</b>

##### (2) Top five advance payments by closing balance collected by prepaid target

Name of entities	Closing balance	Aging	Proportion in the total amount of the closing balance of advance payment (%)
Entity 1	16,914,085.28	Within 3 years	61.61
Entity 2	2,287,047.95	Within 1 year	8.33
Entity 3	1,740,000.00	Within 3 years	6.34
Entity 4	1,166,676.00	1-2 years	4.25
Entity 5	863,500.00	Within 1 year	3.15
<b>Total</b>	<b>22,971,309.23</b>		<b>83.68</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 January 2023 to 31 December 2023  
(All amounts expressed in RMB unless otherwise stated)

## VI. NOTES TO MAJOR ITEMS IN THE FINANCIAL STATEMENTS (CONTINUED)

### 14. Other Assets (Continued)

#### 14.2 Other receivables

##### (1) Other receivables categorised by nature

Nature of payment	Book balance at the end of the year	Book balance at the beginning of the year
Advance to Trust Industry Protection Fund	9,503,037.75	3,470,137.74
Receivable from court settled litigation	13,174,120.00	13,174,120.00
Current accounts	103,600,749.83	75,888,188.84
Advances	58,518,199.96	32,200,090.53
Deposit	2,814,793.49	2,570,526.14
Debt transfers	90,000,000.00	90,000,000.00
Others	2,288,053.00	9,174,502.55
<b>Total</b>	<b>279,898,954.03</b>	<b>226,477,565.80</b>

##### (2) Other receivables presented by aging

Aging	Closing balance
Within 1 year (inclusive)	140,516,539.02
1-2 years	106,734,504.01
2-3 years	9,985,350.21
Over 3 years	22,662,560.79
<b>Total</b>	<b>279,898,954.03</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 January 2023 to 31 December 2023

(All amounts expressed in RMB unless otherwise stated)

## VI. NOTES TO MAJOR ITEMS IN THE FINANCIAL STATEMENTS (CONTINUED)

### 14. Other Assets (Continued)

#### 14.2 Other receivables (Continued)

(3) Other receivables classified and presented by provision for bad debts

Category	Book balance		Closing balance		Book value
	Amount	Percentage (%)	Amount	Provision ratio (%)	
Provision for bad debts made according to the general model of expected credit losses	279,898,954.03	100.00	36,498,999.30	13.04	243,399,954.73
Total	279,898,954.03	100.00	36,498,999.30	13.04	243,399,954.73

(Continued)

Category	Book balance		Opening balance		Book value
	Amount	Percentage (%)	Amount	Provision ratio (%)	
Provision for bad debts made according to the general model of expected credit losses	226,477,565.80	100.00	17,267,426.84	7.62	209,210,138.96
Total	226,477,565.80	100.00	17,267,426.84	7.62	209,210,138.96

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 January 2023 to 31 December 2023  
(All amounts expressed in RMB unless otherwise stated)

## VI. NOTES TO MAJOR ITEMS IN THE FINANCIAL STATEMENTS (CONTINUED)

### 14. Other Assets (Continued)

#### 14.2 Other receivables (Continued)

(3) Other receivables classified and presented by provision for bad debts (Continued)

1) Provision for bad debts made according to the general model of expected credit losses for other receivables

Provision for bad debts	Stage 1 Expected credit losses for the next 12 months	Stage 2 Expected credit loss for the entire duration (no credit impairment)	Stage 3 Expected credit loss for the entire duration (credit impairment has occurred)	Total
Balance as at 1 January 2023	351,742.58	1,968,999.90	14,946,684.36	17,267,426.84
Balance as of 1 January 2023 in current year	–	–	–	–
– Transfer to stage 2	-276,524.94	276,524.94		
– Transfer to stage 3				
– Reverse to stage 2				
– Reverse to stage 1				
Accrual in current year	617,614.18	11,952,659.86	6,661,298.42	19,231,572.46
Reversal in current year				
Cancellation in current year				
Charge off in current year				
Other changes				
Balance as at 31 December 2023	692,831.82	14,198,184.70	21,607,982.78	36,498,999.30

(4) Provision for bad debts accrued, recovered or reversed during the year for other receivables

Category	Opening balance	Provision	Change in the year			Closing balance
			Recovery or reversal	Resale or write-off	Others	
Provision for bad debts of other receivables	17,267,426.84	19,231,572.46				36,498,999.30
Total	17,267,426.84	19,231,572.46				36,498,999.30

(5) No other receivables actually written off for the year

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 January 2023 to 31 December 2023

(All amounts expressed in RMB unless otherwise stated)

## VI. NOTES TO MAJOR ITEMS IN THE FINANCIAL STATEMENTS (CONTINUED)

### 14. Other Assets (Continued)

#### 14.2 Other receivables (Continued)

(6) Top five other receivables by closing balance collected by debtors

Name of entities	Nature	Closing balance	Aging	Proportion in the total amount of the closing balance of other receivables (%)	Closing balance of provision for bad debt
Entity 1	Debt transfers and advances	105,503,905.00	Within 2 years	37.69	11,310,018.62
Entity 2	Current accounts	34,651,257.63	Within 1 year	12.38	
Entity 3	Current accounts	24,582,785.87	Within 1 year	8.78	
Entity 4	Advances	14,901,372.30	1-3 years	5.32	
Entity 5	Current accounts	14,178,098.00	Within 1 year	5.07	
Total	-	193,817,418.80	-	69.24	12,907,445.73

#### 14.3 Other assets

Item	Closing carrying amount	Opening carrying amount
Original value of investment in artworks	9,471,737.45	9,471,737.45
Impairment provision for investment in artworks	7,717,660.55	7,717,660.55
Net investment in artworks	1,754,076.90	1,754,076.90
Foreclosed assets	23,300,000.00	
Total	25,054,076.90	1,754,076.90

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 January 2023 to 31 December 2023  
(All amounts expressed in RMB unless otherwise stated)

## VI. NOTES TO MAJOR ITEMS IN THE FINANCIAL STATEMENTS (CONTINUED)

### 15. Short-term Borrowings

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

Category	Closing balance	Opening balance
Borrowing from China Trust Protection Fund Co., Ltd.	974,779,055.55	2,005,323,555.59
Total	974,779,055.55	2,005,323,555.59

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

### 16. Employment Benefits Payable

(1) *The category of employee benefits payable*

Item	Opening balance	Increase in current year	Decrease in current year	Closing balance
Short-term remunerations	65,243,165.50	103,233,505.30	112,933,869.70	55,542,801.10
Long-term remunerations	19,009,501.87	27,724.43		19,037,226.30
Post-employment benefits – defined contribution plan		19,367,959.97	19,367,959.97	
Termination benefits		259,143.17	259,143.17	
Total	84,252,667.37	122,888,332.87	132,560,972.84	74,580,027.40

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 January 2023 to 31 December 2023

(All amounts expressed in RMB unless otherwise stated)

## VI. NOTES TO MAJOR ITEMS IN THE FINANCIAL STATEMENTS (CONTINUED)

### 16. Employment benefits payable (Continued)

#### (2) Short-term remuneration

Item	Opening balance	Increase for the year	Decrease for the year	Closing balance
Salaries, bonuses, allowances and subsidies	65,243,165.50	74,632,275.57	84,332,639.97	55,542,801.10
Staff welfare		5,287,796.03	5,287,796.03	
Social insurance		10,528,702.90	10,528,702.90	
Including: Medical insurance		10,368,124.01	10,368,124.01	
Work-related injury insurance		120,930.51	120,930.51	
Maternity insurance		39,648.38	39,648.38	
Housing provident fund		10,239,320.48	10,239,320.48	
Labour union funds and employee education funds		2,083,788.72	2,083,788.72	
Labor cost		461,621.60	461,621.60	
<b>Total</b>	<b>65,243,165.50</b>	<b>103,233,505.30</b>	<b>112,933,869.70</b>	<b>55,542,801.10</b>

#### (3) Long-term remunerations

Item	Opening balance	Increase for the year	Decrease for the year	Closing balance
Bonuses, allowances and subsidies	19,009,501.87	27,724.43		19,037,226.30
<b>Total</b>	<b>19,009,501.87</b>	<b>27,724.43</b>		<b>19,037,226.30</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 January 2023 to 31 December 2023  
(All amounts expressed in RMB unless otherwise stated)

## VI. NOTES TO MAJOR ITEMS IN THE FINANCIAL STATEMENTS (CONTINUED)

### 16. Employment benefits payable (Continued)

#### (4) Defined contribution plans

Item	Opening balance	Increase for the year	Decrease for the year	Closing balance
Basic pension insurance		12,105,483.32	12,105,483.32	
Unemployment insurance		331,471.85	331,471.85	
Contributions to enterprise annuity		6,931,004.80	6,931,004.80	
<b>Total</b>		<b>19,367,959.97</b>	<b>19,367,959.97</b>	

### 17. Taxes Payable

Item	Closing balance	Opening balance
Corporate income tax	6,170,828.82	216,078,725.09
Value-added tax	110,261,027.75	47,299,570.81
Individual income tax	667,284.82	5,153,299.63
City maintenance and construction tax	1,229,861.27	489,939.13
Stamp duty	368,646.03	462,349.18
Property tax	324,070.79	334,020.35
Education surcharges	527,083.37	209,973.91
Regional education surcharges	351,388.93	139,982.61
Land-use tax	27,284.20	27,284.20
<b>Total</b>	<b>119,927,475.98</b>	<b>270,195,144.91</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 January 2023 to 31 December 2023

(All amounts expressed in RMB unless otherwise stated)

## VI. NOTES TO MAJOR ITEMS IN THE FINANCIAL STATEMENTS (CONTINUED)

### 18. Accounts payable

Item	Closing Balance	Opening balance
Payment to Suppliers	17,560,929.05	19,015,634.00
Total	17,560,929.05	19,015,634.00

### 19. Contractual liabilities

Item	Closing Balance	Opening balance
Trustee's remuneration received in advance	5,924,747.04	18,867,924.53
Receipt in advance from other special businesses	12,237,341.19	17,352,767.46
Total	18,162,088.23	36,220,691.99

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 January 2023 to 31 December 2023  
(All amounts expressed in RMB unless otherwise stated)

## VI. NOTES TO MAJOR ITEMS IN THE FINANCIAL STATEMENTS (CONTINUED)

### 20. Provisions

Item	Closing Balance	Opening balance	Reason
Litigation compensation	120,809,836.02		Litigation
Total	120,809,836.02		—

Note 1: On 22 May 2023, the Intermediate People's Court of Binzhou City, Shandong Province issued a judgment on the case of a private lending dispute between Shandong Qixing Real Estate Company ("Shandong Qixing") and Rizhao Hainadijing Real Estate Co., Ltd. ("Rizhao Dijing"), Shandong Haina Real Estate Co., Ltd. ("Haina Real Estate Company") and our Company, which upheld the first instance judgment that our Company shall assume the supplementary compensation liability for the payment of the loan principal of RMB100 million and related interest by Rizhao Dijing to Shandong Qixing. As the bank deposit of the Company of RMB115,000,000.00 has been frozen by The Intermediate People's Court of Binzhou City, Shandong Province, the Company has made provision for estimated liabilities of RMB116,270,547.95 based on the current progress. The Company has submitted an application for procuratorial supervision to the Binzhou Municipal People's Procuratorate regarding the judgment of the Intermediate People's Court of Binzhou City, and in December 2023, the Binzhou Municipal People's Procuratorate has decided to accept the application for supervision and to review the case.

Note 2: On 25 December 2023, the Intermediate People's Court of Rizhao City, Shandong Province issued a judgment on the case of dispute of shareholders damage to the interests of the Company creditors between Rizhao Dianjin Supply Chain Management Co., Ltd.\* ("Rizhao Dianjin") (日照點金供應鏈管理有限公司) and Haina Real Estate Company, Shanghai Nuosheng Investment Management Co., Ltd.\* (上海諾晟投資管理有限公司) and our Company, which upheld the first instance judgment that our Company shall bear joint and several liability for the remaining debt principal of RMB106,010.00 for Rizhao Dijing owed to Rizhao Dianjin, as well as the penalty for breach of contract and debt interest during the delayed performance period. The Company has made provision for estimated liabilities of RMB4,539,288.07 based on the current progress. The Company has made a retrial request to the Intermediate People's Court of Rizhao City, and applied to the Procuratorate of Rizhao City for procuratorial supervision, which is currently in the process of review.

### 21. Lease Liabilities

Item	Closing Balance	Opening balance
Lease payment	41,401,432.89	65,653,824.00
Less: unrecognised finance charges	2,342,022.68	5,297,673.56
Total	39,059,410.21	60,356,150.44

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 January 2023 to 31 December 2023

(All amounts expressed in RMB unless otherwise stated)

## VI. NOTES TO MAJOR ITEMS IN THE FINANCIAL STATEMENTS (CONTINUED)

### 22. Other Liabilities

Item	Closing balance	Opening balance
Receipt in advance	69,694,523.13	20,500,535.38
Other payables	834,874,346.83	784,069,370.48
Other liabilities	810,058,658.33	243,930,651.07
Total	1,714,627,528.29	1,048,500,556.93

#### 22.1 Receipt in advance

Category	Closing balance	Opening balance
Deferred trustee's remuneration income	19,694,523.13	20,500,535.38
Advance receipts for debt transfers	50,000,000.00	
Total	69,694,523.13	20,500,535.38

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 January 2023 to 31 December 2023  
(All amounts expressed in RMB unless otherwise stated)

## VI. NOTES TO MAJOR ITEMS IN THE FINANCIAL STATEMENTS (CONTINUED)

### 22 Other Liabilities (Continued)

#### 22.2 Other payables

Nature of account	Closing balance	Opening balance
Receipt in advance from borrowers	333,940,146.10	299,339,807.89
Payables to National Council for Social Security Fund	227,451,700.87	227,451,700.87
Advances from trust schemes and other investments	246,457,748.89	220,812,764.18
Others	27,024,750.97	36,465,097.54
Total	834,874,346.83	784,069,370.48

*Note 1:* Receipt in advance from borrowers represents that the Company collects the Trust Industry Protection Fund on behalf of the financiers of the financing trust schemes in accordance with the regulations, and then pays the fund to the China Trust Industry Protection Fund. As at 31 December 2023, the amount of the Trust Industry Protection Fund collected on behalf by the Company but unpaid was RMB334 million (31 December 2022: RMB299 million).

*Note 2:* Payables to the National Council for Social Security Fund represents the proceeds of RMB227 million from the disposal of the Company's shares attributable to the National Council for Social Security Fund upon the initial public offering.

*Note 3:* Advances 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 January 2023 to 31 December 2023

(All amounts expressed in RMB unless otherwise stated)

## VI. NOTES TO MAJOR ITEMS IN THE FINANCIAL STATEMENTS (CONTINUED)

### 22 Other Liabilities (Continued)

#### 22.3 Other liabilities

Item	Closing balance	Opening balance
Net assets attributable to third-party trust beneficiaries of consolidated structured entities	806,900,452.66	243,930,651.07
Others	3,158,205.67	
<b>Total</b>	<b>810,058,658.33</b>	<b>243,930,651.07</b>

Note: The net assets attributable to third-party trust beneficiaries of consolidated structured entities refer to the share attributable to third-party trust beneficiaries in the net assets of consolidated structured entities, see Note VIII.1.(2).

### 23. Share Capital

Item	Opening balance	Increase or decrease for the year (+,-)					Closing balance
		Issuance of new shares	Bonus shares	Reserve transferred to shares	Others	Subtotal	
Shandong Luxin Investment Holdings Group Co., Ltd.	2,242,202,578.74						2,242,202,578.74
CNPC Asset Management Co., Ltd.	873,528,750.00						873,528,750.00
Shandong Hi-tech Venture Capital Co., Ltd. (山東省高新技術創業投資有限公司)	225,000,000.00						225,000,000.00
Shandong Gold Group Co., Ltd. (山東黃金集團有限公司)	80,073,468.18						80,073,468.18
Weifang Investment Group Co., Ltd. (濰坊市投資集團有限公司)	60,055,101.54						60,055,101.54
Jinan Energy Investment Co., Ltd. (濟南市能源投資有限責任公司)	13,255,101.54						13,255,101.54
Listed circulating shares	1,164,735,000.00						1,164,735,000.00
<b>Total</b>	<b>4,658,850,000.00</b>						<b>4,658,850,000.00</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 January 2023 to 31 December 2023  
(All amounts expressed in RMB unless otherwise stated)

## VI. NOTES TO MAJOR ITEMS IN THE FINANCIAL STATEMENTS (CONTINUED)

### 24. Capital Reserve

Item	Opening balance	Increase for the year	Decrease for the year	Closing balance
Share premium	122,830,295.35			122,830,295.35
Other capital reserve	37,218,887.70			37,218,887.70
<b>Total</b>	<b>160,049,183.05</b>			<b>160,049,183.05</b>

### 25. Other Comprehensive Income

Item	Opening Balance	Amount before income tax in the current year	Amount incurred in current year				Closing balance
			Less: Amount previously included in other comprehensive income transferred to profit or loss for the period	Less: Amount previously included in other comprehensive income transferred to retained earnings for the period	Less: Income tax expenses	Attributable to parent company after tax	
1. Other comprehensive income that will be reclassified to profit or loss	-1,730,541.86	-3,523,457.79				-3,523,457.79	-5,253,999.65
Including: Other comprehensive income to be reclassified to profit or loss under equity method	-783,845.45	-3,523,457.79				-3,523,457.79	-4,307,303.24
Amount of financial assets reclassified into other comprehensive income	-946,696.41						-946,696.41
<b>Total other comprehensive income</b>	<b>-1,730,541.86</b>	<b>-3,523,457.79</b>				<b>-3,523,457.79</b>	<b>-5,253,999.65</b>

### 26. Surplus Reserve

Item	Opening balance	Increase for the year	Decrease for the year	Closing balance
Statutory surplus reserve	961,710,834.69	23,410,517.36		985,121,352.05
Discretionary surplus reserve	17,719,395.82			17,719,395.82
<b>Total</b>	<b>979,430,230.51</b>	<b>23,410,517.36</b>		<b>1,002,840,747.87</b>

Note: Pursuant to the Company Law of the People's Republic of China and the Articles of Association of the Company, the reason for the change in the statutory surplus reserve in the current period is that the Company accrued the statutory surplus reserve at 10.00% of the net profit of the parent company in the current year. The Company can no longer accrue the statutory surplus reserve when the reserve exceeds 50.00% of the registered capital. After approved, the statutory surplus reserve can be used to recover the loss or increase the share capital.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 January 2023 to 31 December 2023

(All amounts expressed in RMB unless otherwise stated)

## VI. NOTES TO MAJOR ITEMS IN THE FINANCIAL STATEMENTS (CONTINUED)

### 27. Risk Provision

Item	Closing balance	Opening balance
General risk provision	594,239,495.47	524,007,943.40
Trust compensation provision	753,171,982.16	729,761,464.80
Total	1,347,411,477.63	1,253,769,408.20

#### (1) General risk provision

Item	Opening balance	Increase for the year	Decrease for the year	Closing balance
General risk provision	524,007,943.40	70,231,552.07		594,239,495.47
Total	524,007,943.40	70,231,552.07		594,239,495.47

#### (2) Trust compensation provision

Item	Opening balance	Increase for the year	Decrease for the year	Closing balance
Trust compensation provision	729,761,464.80	23,410,517.36		753,171,982.16
Total	729,761,464.80	23,410,517.36		753,171,982.16

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 January 2023 to 31 December 2023  
(All amounts expressed in RMB unless otherwise stated)

## VI. NOTES TO MAJOR ITEMS IN THE FINANCIAL STATEMENTS (CONTINUED)

### 28. Undistributed Profit

Item	Year 2023	Year 2022
<b>Balance as at the end of last year</b>	<b>3,883,899,591.65</b>	3,745,803,508.45
Add: Adjustment of undistributed profit at the beginning of the year		
Including: Retrospective adjustment according to the new provisions of the ASBE		
Changes in accounting policies		
Correction of significant prior errors		
Change of consolidation scope under common control		
Other adjustment factors		
<b>Opening balance</b>	<b>3,883,899,591.65</b>	3,745,803,508.45
Add: Net profit attributable to owners of the parent company for the current year	<b>158,633,546.72</b>	280,429,396.14
Less: Appropriation to statutory surplus reserve	<b>23,410,517.36</b>	28,374,277.95
Appropriation to discretionary surplus reserve		
Appropriation to general risk provision	<b>70,231,552.07</b>	85,584,757.04
Appropriation to trust compensation provision	<b>23,410,517.36</b>	28,374,277.95
Ordinary share dividends payable		
Ordinary share dividends transferred to share capital		
<b>Closing balance</b>	<b>3,925,480,551.58</b>	3,883,899,591.65

### 29. Net interest income

Item	Year 2023	Year 2022
<b>Interest Income</b>	<b>192,202,677.40</b>	62,740,895.84
Including: Cash and bank balances	<b>2,174,320.44</b>	2,365,310.85
Loans and advances to customers	<b>97,290,002.58</b>	28,431,930.62
Debt investments	<b>77,542,831.74</b>	10,398,445.00
Financial assets purchased under resale agreements	<b>14,881,808.18</b>	21,042,202.73
Others	<b>313,714.46</b>	503,006.64
<b>Interest expense</b>	<b>91,967,774.36</b>	139,361,797.60
Including: Short-term borrowings	<b>51,153,566.63</b>	114,384,833.35
Income attributable to third-party trust beneficiaries in consolidated structured entities	<b>37,671,426.05</b>	21,952,909.56
Others	<b>3,142,781.68</b>	3,024,054.69
<b>Net interest income</b>	<b>100,234,903.04</b>	-76,620,901.76

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 January 2023 to 31 December 2023

(All amounts expressed in RMB unless otherwise stated)

## VI. NOTES TO MAJOR ITEMS IN THE FINANCIAL STATEMENTS (CONTINUED)

### 30. Net Fee and Commission Income

Item	Year 2023	Year 2022
<b>Fee and commission income</b>	<b>771,124,666.23</b>	990,286,183.81
Including: Trustee's remuneration	717,391,574.85	961,864,252.36
Others	53,733,091.38	28,421,931.45
<b>Fee and commission expenses</b>	<b>5,002,965.26</b>	8,543,619.82
Including: Guarantee fee	4,443,397.22	8,327,076.10
Others	559,568.04	216,543.72
<b>Net fee and commission income</b>	<b>766,121,700.97</b>	981,742,563.99

### 31. Investment Income

Item	Year 2023	Year 2022
Long-term equity investment income accounted for using equity method	10,192,627.15	176,985,273.73
Investment income from holding financial assets	55,289,000.41	98,020,651.25
Investment income from disposal of long-term equity investments	5,001,456.31	2,686,121,749.15
Investment income from disposal of loans and other debt investments	1,890,176.83	-2,440,782,632.56
<b>Total</b>	<b>72,373,260.70</b>	520,345,041.57

### 32. Gains from Changes in Fair Value

Source of gains from changes in fair value	Year 2023	Year 2022
Financial assets held for trading	228,094,670.75	-41,867,490.61
Enterprises invested by the consolidated structured entities	-15,354,497.00	82,085,450.14
<b>Total</b>	<b>212,740,173.75</b>	40,217,959.53

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 January 2023 to 31 December 2023  
(All amounts expressed in RMB unless otherwise stated)

## VI. NOTES TO MAJOR ITEMS IN THE FINANCIAL STATEMENTS (CONTINUED)

### 33. Gains from changes in net assets attributable to third-party investors in consolidated structured entities

Item	Year 2023	Year 2022
Gains from changes in net assets attributable to third-party investors in consolidated structured entities	26,262,792.35	35,053,235.73
Total	26,262,792.35	35,053,235.73

### 34. Exchange Gain

Item	Year 2023	Year 2022
Exchange gain	0.16	0.83
Total	0.16	0.83

### 35. Other Operating Income

Item	Year 2023	Year 2022
Revenue from leasing of investment properties	3,083,236.93	
Revenue from leasing of fixed assets	364,900.25	1,210,597.46
Other income	9,229,345.81	6,584,006.22
Total	12,677,482.99	7,794,603.68

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 January 2023 to 31 December 2023

(All amounts expressed in RMB unless otherwise stated)

## VI. NOTES TO MAJOR ITEMS IN THE FINANCIAL STATEMENTS (CONTINUED)

### 36. Gains on Disposal of Assets

Item	Year 2023	Year 2022	Amount included in non-recurring profit or loss for the year
Gains on non-current asset disposal	46,913.92	173,354.64	46,913.92
Gains on disposal of non-current assets not classified as held for sale	46,913.92	173,354.64	46,913.92
Including: Gains on disposal of right-of-use assets	46,913.92	173,354.64	46,913.92
Total	46,913.92	173,354.64	46,913.92

### 37. Taxes and Surcharges

Item	Year 2023	Year 2022
City maintenance and construction tax	3,113,327.12	3,856,240.03
Education surcharges	1,334,283.02	1,652,674.31
Regional education surcharges	889,522.02	1,101,782.86
Property tax	1,897,356.96	1,336,081.39
Stamp tax	993,654.24	4,849,151.64
Land use tax	122,918.56	109,136.80
Vessel and vehicle tax	4,950.00	6,435.00
Total	8,356,011.92	12,911,502.03

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 January 2023 to 31 December 2023  
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## VI. NOTES TO MAJOR ITEMS IN THE FINANCIAL STATEMENTS (CONTINUED)

### 38. Business and Administration Fees

Item	Year 2023	Year 2022
Employee benefits	122,888,332.87	144,743,853.21
Depreciation and amortization	57,180,915.46	44,857,941.99
Legal and professional fees	11,117,352.53	18,382,413.36
Network fees	17,895,001.36	16,292,505.15
Promotional expenses	7,003,332.72	9,715,809.45
Lease charges	7,960,763.57	7,733,445.26
Business hospitality expenses	5,656,292.70	7,271,817.21
Travel expenses	5,942,465.94	4,253,665.11
Office expenses	3,103,589.72	1,754,029.78
Others	30,325,129.38	28,449,126.38
Total	269,073,176.25	283,454,606.90

Note: Among the legal and professional service fees, the audit fee was RMB943,396.23 and RMB1,415,094.34 for current year and previous year respectively.

### 39. Credit Impairment Losses

Item	Year 2023	Year 2022
Loss on bad debts of accounts receivable	6,841,644.73	1,603,382.70
Loss on bad debts of other receivables	19,231,572.46	1,630,216.61
Impairment losses on loans and advances to customers	165,006,395.39	445,221,488.26
Impairment losses of debt investments	309,382,016.19	170,271,273.47
Total	500,461,628.77	618,726,361.04

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 January 2023 to 31 December 2023

(All amounts expressed in RMB unless otherwise stated)

## VI. NOTES TO MAJOR ITEMS IN THE FINANCIAL STATEMENTS (CONTINUED)

### 40. Other Operating Costs

Item	Year 2023	Year 2022
Depreciation of investment properties	2,867,564.46	
Depreciation of leased fixed assets	136,899.75	547,599.00
Other costs	214,541.40	333,988.77
<b>Total</b>	<b>3,219,005.61</b>	<b>881,587.77</b>

### 41. Non-operating Income

Item	Year 2023	Year 2022	Amount included in non-recurring profit or loss for the year
Compensation	2,752,220.05		2,752,220.05
Government grants	176,394.86	231,445.47	176,394.86
Insurance and indemnity income		221,000.00	
Others	6,402.96	168,614.36	6,402.96
<b>Total</b>	<b>2,935,017.87</b>	<b>621,059.83</b>	<b>2,935,017.87</b>

Note: The Group's government grants were various government grants related to income.

### 42. Non-operating Expenses

Item	Year 2023	Year 2022	Amount included in non-recurring profit or loss for the year
Compensation cost	120,809,836.02	763,542.05	120,809,836.02
Penalty cost	400,000.00	1,270,000.00	400,000.00
Losses on retirement of non-current assets	921,832.93	85,031.56	921,832.93
Others	57.54	527.88	57.54
<b>Total</b>	<b>122,131,726.49</b>	<b>2,119,101.49</b>	<b>122,131,726.49</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 January 2023 to 31 December 2023  
(All amounts expressed in RMB unless otherwise stated)

## VI. NOTES TO MAJOR ITEMS IN THE FINANCIAL STATEMENTS (CONTINUED)

### 43. Income Tax Expenses

#### (1) Income tax expenses

Item	Year 2023	Year 2022
Income tax expense for the year	170,546,420.18	251,481,262.01
Deferred income tax expenses	-39,029,270.19	59,323,100.66
Total	131,517,149.99	310,804,362.67

#### (2) Adjustment process of accounting profit and income tax expenses

Item	Year 2023
Consolidated total profit in current year	290,150,696.71
Income tax expense calculated at statutory/applicable tax rate	72,537,674.18
Influence of application of different tax rates to subsidiaries	
Effects from adjustments of income tax for prior periods	
Effect of non-taxable revenue	-2,988,124.43
Effects from non-deductible costs, expenses and losses	61,967,600.24
Effects from deductible losses on unrecognized deferred income tax assets in previous period	
Income tax expenses	131,517,149.99

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 January 2023 to 31 December 2023

(All amounts expressed in RMB unless otherwise stated)

## VI. NOTES TO MAJOR ITEMS IN THE FINANCIAL STATEMENTS (CONTINUED)

### 44. Items of Cash Flow Statement

#### (1) Supplementary information to the consolidated cash flow statement

Item	Amount in current year	Amount in previous year
<b>1. Reconciliation of net profit to cash flows from operating activities:</b>		
Net profit	158,633,546.72	280,429,396.14
Add: Credit impairment losses	500,461,628.77	618,726,361.04
Depreciation of fixed assets, depletion of oil and gas assets, depreciation of productive biological assets	17,517,517.75	14,480,544.23
Depreciation of right-of-use assets	25,055,285.29	18,790,973.12
Amortisation of intangible assets	8,177,932.91	6,267,197.84
Amortisation of long-term amortisation expenses	10,073,832.81	5,866,825.80
Loss from disposal of fixed assets, intangible assets and other long-term assets (gain indicated in "-")	46,913.92	
Loss on scrapping of fixed assets (gain indicated in "-")	921,832.93	85,031.56
Losses from changes in fair value (gain indicated in "-")	-212,740,173.75	-40,217,959.53
Financial cost	54,296,348.31	117,408,888.04
Gain in investment (gain indicated in "-")	-15,194,083.46	-2,917,944,394.84
Loss from changes in share of net assets attributable to third party investors in consolidated structured entities	-26,262,792.35	-35,053,235.73
Decrease in debt investments	-822,033,515.25	-2,184,963,986.07
Decrease in financial assets held under resale agreements	-37,788,757.84	340,346,281.43
Decrease in financial assets held for trading	-371,976,527.21	1,618,264,256.65
Decrease in loans and advances to customers	-244,730,000.00	6,897,277,642.26
Net investment attributable to third-party investors in consolidated structured entities	-177,329,075.26	-5,005,991,203.23
Decrease in deferred income tax assets	-39,029,270.19	59,323,100.66
Decrease in operating receivables	-82,742,845.78	75,964,178.46
Increase in operating payables	-74,379,937.35	-357,546,489.35
Net cash flows from operating activities	-1,329,022,139.03	-3,725,015,104.82

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 January 2023 to 31 December 2023  
(All amounts expressed in RMB unless otherwise stated)

## VI. NOTES TO MAJOR ITEMS IN THE FINANCIAL STATEMENTS (CONTINUED)

### 44. Items of Cash Flow Statement (Continued)

#### (1) Supplementary information to the consolidated cash flow statement (Continued)

Item	Amount in current year	Amount in previous year
<b>2. Significant investing and financing activities not involving cash receipts and payments:</b>		
Conversion of debt into capital		
Convertible corporate bonds due within one year		
Acquisition of fixed assets under finance leases		
<b>3. Net changes in cash and cash equivalents:</b>		
Closing balance of cash	168,896,884.51	2,240,590,484.12
Less: Opening balance of cash	2,240,590,484.12	1,586,595,589.20
Add: Closing balance of cash equivalents		
Less: Beginning balance of cash equivalents		
Net increase in cash and cash equivalents	-2,071,693,599.61	653,994,894.92

#### (2) Cash and cash equivalents

Item	Closing balance	Opening balance
Cash	168,896,884.51	2,240,590,484.12
Including: Cash on hand		
Bank deposits readily available for payment	104,277,117.03	436,339,318.04
Other monetary assets readily available for payment	64,619,767.48	1,804,251,166.08
Cash equivalents		
Closing balance of cash and cash equivalents	168,896,884.51	2,240,590,484.12

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 January 2023 to 31 December 2023

(All amounts expressed in RMB unless otherwise stated)

## VI. NOTES TO MAJOR ITEMS IN THE FINANCIAL STATEMENTS (CONTINUED)

### 45. Dividend

No dividends were paid, declared or proposed by the Company during the year ended 31 December 2023 (the year ended 31 December 2022: Nil), nor has any dividend been proposed since the end of the reporting period. The Directors of the Company have determined that no dividend will be paid in respect of the year ended 31 December 2023.

### 46. Earnings per share

#### (1) Basic earnings per share

Item	Amount for the year	Amount for the previous year
Net profit attributable to ordinary shareholders of the parent company	158,633,546.72	280,429,396.14
Weighted average number of ordinary shares in issue	4,658,850,000.00	4,658,850,000.00
Basic earnings per share	0.03	0.06

#### (2) Diluted earnings per share

For the twelve months ended 31 December 2023, there were no potential diluted ordinary shares and therefore the diluted earnings per share were the same as the basic earnings per share.

## VII. CHANGE IN SCOPE OF CONSOLIDATION

Seven structural entities controlled by the Company were added in the year, thus included in the scope of consolidation. In addition, the four structured entities controlled at the beginning of the period are due for liquidation in this period. See "VIII. Interests in Other Entities" in this note for details.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## VIII. INTERESTS IN OTHER ENTITIES

### 1. Interests in subsidiaries

#### (1) Composition of enterprise group

Name of subsidiary	Principal place of business	Place of incorporation	Business nature	Shareholding (%)		Acquisition method
				Direct	Indirect	
Structured entities under controlled	—	—	—	—	—	—

#### (2) Structured entities included in the scope of consolidated financial statements

In accordance with the Accounting Standards for Business Enterprises No.33-Consolidated Financial Statements, the Company will include the structured entities that participate with their own funds and meet the definition of “control” as stipulated in the standards.

A structured entity included in the scope of consolidation is a trust schemes partially established and managed by the Company. The Company shall consider the influence exerted by the Company on the trust schemes, the rights and interests entitled by the third party, the amount of remuneration obtained according to the trust contract and related agreements and the amount of variable returns obtained by the Company from the structured entity when deciding whether to include a trust schemes in the scope of consolidation. The underlying assets of such structured entities are mainly reflected in loans and advances to customers, debt investments, long-term equity investment and financial assets held for trading.

Item	Quantity/balance at end of year	Quantity/balance at beginning of year
Number of products included in consolidation (number)	22	19
Total size of the structured entities included in the consolidation	3,724,289,515.77	1,892,424,230.11
The Company's equity interests in the above-mentioned structured entities are reflected in the total scale of loans and advances, debt investments, long-term equity investment and financial assets held for trading in the balance sheet.	2,872,724,273.12	1,497,663,514.20

For trust schemes that may not receive all payments from counterparties on the due dates of the trust schemes in accordance with their underlying project contracts (the “troubled trusts”), the Group may use its own funds to provide liquidity support to the trust schemes after assessing the repayment possibilities of the ultimate borrowers or other channels, the relationship with investors and the impact on the Company's reputation. If these troubled trusts meet the criteria for consolidated structured entities, the Group will consolidate these troubled trusts. As of 31 December 2023, the total assets of these consolidated trust schemes are RMB1,578 million (31 December 2022: RMB358 million) and the corresponding ECL is RMB288 million (31 December 2022: RMB154 million).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## VIII. INTERESTS IN OTHER ENTITIES (CONTINUED)

### 2. Structured entities not included in the scope of consolidated financial statements

#### (1) Structured entities in which the Company acts as trustee

Based on the analysis and investigation of the potential target customers, the Company designs and provides trust products to meet the needs of the customers and the proceeds are then invested in the relevant financial markets or financial products as agreed in the trust contracts. Investment income is allocated to the trustors of the trust schemes in accordance with the relevant provisions of the trust contracts, and the Company receives remuneration as the trustee of the trust schemes.

As at 31 December 2023, the size of the unconsolidated structured entities in which the Company acted as the trustee of the trust schemes was approximately RMB181.828 billion (31 December 2022: RMB207.768 billion), and the trustee's remuneration receivable from these structured entities by the Company was RMB173 million (31 December 2022: RMB148 million). In addition, the Company invests in certain of these structured entities, which are recognised as financial assets held for trading or debt investments on the balance sheet.

#### (2) Structured entities managed by third parties which invested by the Company

As of 31 December 2023, the Company invested in certain structured entities managed by third parties. These investments are classified as held for trading on the balance sheet. The Company did not provide any funding or other support to these structured entities.

#### (3) Unconsolidated structured entities invested by the Company

The Company invests in trust schemes managed by the Company as trustee and other structured entities established and managed by third parties. The Company does not control these structured entities, nor does it provide financial support or other types of support to these structured entities. Therefore, these structured entities are not consolidated.

The carrying amount and maximum exposure to loss of the unconsolidated structured entities invested by the Company in the balance sheet of the Company and the total size of the structured entities are set out as follows:

Item	31 December 2023	Maximum exposure to loss	Total size of structured entities
Unconsolidated structured entities managed and invested by the Company			
– Trading financial assets	518,630,798.74	518,630,798.74	6,761,078,724.71
– Debt investments	919,276,724.78	919,276,724.78	1,341,543,741.28
Unconsolidated structured entities managed by third parties			
– Mutual funds	783,319,294.32	783,319,294.32	Note
– Asset management schemes	937,216,509.01	937,216,509.01	Note
– Trust Industry Protection Fund	112,308,002.18	112,308,002.18	Note

Note: The aggregate scale of the aforesaid public funds managed by third parties, asset management plans and the Trust Industry Protection Fund are private information.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## IX. RISKS RELATED TO FINANCIAL INSTRUMENTS

Details of the Group's major financial instruments, including financial assets held for trading, debt investments, loans and advances to customers See Note VI for details. The risks associated with these financial instruments and the risk management policies taken by the Group to mitigate these risks is described below. The management of the Group manages and monitors these risk exposures to ensure that the above risks are within the limited range.

### 1. Credit risk

#### (1) Credit risk measurement

Some of the Group's trust schemes are financing trust schemes. In this type of trust scheme, if the ultimate borrower fails to fulfil the repayment obligation, it will adversely affect the Group's right to receive fixed and variable remuneration in accordance with the trust contract. Pursuant to the trust contracts, the Group assesses and manages the default risk of the borrowers through due diligence, process approval and continuous post-lending monitoring. Measures taken by the Group to mitigate the default risk of borrowers mainly include obtaining third-party guarantees and collaterals. In most cases where the borrower defaults, the trust contract also requires the Group to take necessary mitigation and disposal measures to reduce the loss of trust assets in the best interests of the beneficiaries. However, the Group will not undertake to compensate the beneficiaries of the trust schemes for any fixed return or investment loss of the trust schemes, and such acts are prohibited by the relevant laws and regulations. The Group has no contractual obligation to provide liquidity or other support to any troubled trusts. In the past, after assessing other factors such as the likelihood of repayment by the ultimate borrower through itself or other channels and the potential impact on the Company's reputation, the Company used its own funds to make distributions to the third-party beneficiaries upon the expiry of the term of the trust schemes.

The Group's proprietary trading business primarily consists of granting proprietary loans and equity investments. The annual investment plan of the Company is formulated by the management of the Company, including the concentration of each type of investment, which shall be approved by the Board. Under the schemes, the Group invests in certain trust schemes, equity or unlisted equity investments, securities investment funds, loans or other asset management plans established and managed by the Company. For the Company's investments in its own trust schemes, the Group determines whether it is necessary to consolidate these trust schemes in the financial statements by assessing the impact of the Company's exposure to variable returns from these trust schemes. The presentation of the underlying assets of the consolidated trust schemes is the same as that of the parent company.

The estimation of credit risk exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of the credit risk of a portfolio of assets requires more estimates, such as the likelihood of default occurring, the associated loss rates and the correlation among counterparties. The Group uses Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD) to measure credit risk. This is similar to the measurement of expected credit losses under the financial instrument standard. Please refer to Note IX.1. (2) for details.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 January 2023 to 31 December 2023

(All amounts expressed in RMB unless otherwise stated)

## IX. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

### 1. Credit risk (Continued)

#### (2) Expected credit loss (ECL) measurement

The financial instrument standard outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarized below:

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Group.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit impaired. Please refer to Note IX.1.(2)① for the judgement when a significant increase in credit risk has occurred.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'. Please refer to Note IX.1.(2)② for the definition of the Group on credit-impaired and default.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on ECL on a lifetime basis. Please refer to Note IX.1.(2)③ for a description of inputs, assumptions and estimation techniques used in measuring the ECL.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information. Note IX.1.(2)④ includes an explanation of how the Group has incorporated this in its ECL models.
- Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. The loss reserve of these assets is the ECL on a lifetime basis.

The impairment requirement of financial instruments (other than purchased or originated credit-impaired assets):

Stage 1 (initial recognition): 12-month ECL

Stage 2 (significant increase in credit risk since initial recognition): lifetime ECL

Stage 3 (credit-impaired assets): lifetime ECL

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## IX. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

### 1. Credit risk (Continued)

#### (2) Expected credit loss (ECL) measurement (Continued)

The key judgements and assumptions adopted by the Group in measuring the ECL under the financial instruments standards are discussed below:

##### ① Significant increase in credit risk (SICR)

The Group considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met:

Quantitative criteria: The borrower is more than 30 days past due on its contractual payments;

Qualitative criteria: If the borrower is on the watchlist and/or the instrument meets one or more of the following criteria:

- Significant increase in credit spread
- Actual or expected forbearance or restructuring
- Actual or expected significant adverse change in operating results of the borrower

The criteria used to identify SICR are monitored and reviewed periodically for appropriateness by the independent Credit Risk team.

As of 31 December 2023, no financial instrument was deemed as having low credit risk by the Group, and thus it will no longer compare whether there is significant increase in credit risk on the reporting date compared with the initial recognition.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## IX. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

### 1. Credit risk (Continued)

#### (2) Expected credit loss (ECL) measurement (Continued)

##### ② Definition of default and credit-impaired assets

The Group defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

Quantitative criteria: The borrower is more than 90 days past due on its contractual payments;

Qualitative criteria: The borrower meets unlikelihood to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:

- The borrower is deceased
- The borrower has severe financial difficulties or insolvency
- It is becoming probable that the borrower will enter into bankruptcy
- Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses

The criteria above have been applied to all financial instruments held by the Group and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the PD, EAD and LGD throughout the Group's expected loss calculations.

An instrument is considered to no longer be in default (i.e. to have cured) when it no longer meets any of the default criteria for a consecutive period of six months. This period of six months has been determined based on an analysis which considers the likelihood of a financial instrument returning to default status after cure using different possible cure definitions.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## IX. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

### 1. Credit risk (Continued)

#### (2) Expected credit loss (ECL) measurement (Continued)

##### ③ Measuring ECL – Explanation of inputs, assumptions and estimation techniques

The ECL is measured on either a 12-month (12M) or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. ECL are the discounted product of the PD, EAD, and LGD, defined as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.
- EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD).
- LGD represents the Group's expectation of the extent of loss on a defaulted exposure. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD).

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The Lifetime PD is developed by applying a maturity profile to the current 12M PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. This is supported by historical analysis.

The 12-month and lifetime EADs are determined based on the expected payment profile.

The lifetime LGDs are determined based on the factors which impact the recoveries made post default.

Forward-looking economic information is also included in determining the 12-month and lifetime PD. Refer to Note IX.1.(2)④ for an explanation of forward-looking information and its inclusion in ECL calculations.

There have been no significant changes in estimation techniques or significant assumptions made during the Reporting Period.

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## IX. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

### 1. Credit risk (Continued)

#### (2) Expected credit loss (ECL) measurement (Continued)

##### ④ Forward-looking information incorporated in the ECL models

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

The Group selects a series of macroeconomic indicators (including China business climate and entrepreneur confidence index and China real estate climate index) based on industry practices and expert judgments, and then establishes a statistical relationship between the actual default probability and macroeconomic factors for model exposures. The prospective results of the actual PD are obtained by calculating the predicted values of the corresponding macroeconomic factors.

In addition to the basic economic scenario, the Group provides other possible scenarios along with scenario weightings to ensure non-linearities are captured. The number of scenarios and their attributes are reassessed at each reporting date. At 31 December 2022 and 31 December 2023, the Group concluded that three scenarios appropriately captured non-linearities. The scenario weightings are determined by a combination of statistical analysis and expert credit judgement, taking account of the range of possible outcomes each chosen scenario is representative of. These probability weighted ECLs are determined by running each scenario through the relevant ECL model and multiplying it by the appropriate scenario weighting (as opposed to weighting the inputs).

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

#### Economic variable assumptions

The most significant period-end assumptions used for the ECL estimate as at 31 December 2023 are set out below. The scenarios "base", "upside" and "downside" were used for all portfolios. The weightings assigned to each economic scenario were 50%, 20%, 30% respectively.

Item	Forecast for current year	Forecast for previous year
Business climate and entrepreneur confidence index	96.89~129.58	93.07~132.12
Real estate climate index	89.36~103.05	90.80~104.88

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## IX. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

### 1. Credit risk (Continued)

#### (2) Expected credit loss (ECL) measurement (Continued)

##### ④ Forward-looking information incorporated in the ECL models (Continued)

#### Sensitivity analysis

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

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

The sensitivity of ECL of loans and advances, debt investments to the future economic condition is as follows:

Item	Closing balance	Opening balance
Impairment provision after weighted average of three scenarios	2,661,284,015.33	2,405,180,372.71
ECL provision under base scenario	2,611,759,636.34	2,378,454,484.59
ECL provision under upside scenario	2,861,686,420.61	2,506,251,155.21
ECL provision under downside scenario	2,490,721,928.58	2,317,695,390.00

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## IX. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

### 1. Credit risk (Continued)

#### (3) Maximum credit risk exposure

##### ① Financial instruments subject to impairment

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

Item	Original carrying amount	Closing Impairment provision	Net carrying amount
Monetary assets (Stage 1)	283,896,884.51		283,896,884.51
Financial assets purchased under resale agreements (Stage 1)	395,049,249.50		395,049,249.50
Loans and advances to customers (including interest receivable)	2,554,077,852.93	352,552,639.16	2,201,525,213.77
Stage 1	729,076,920.75	41,800,273.44	687,276,647.31
Stage 2	1,076,410,402.37	129,832,315.97	946,578,086.40
Stage 3	748,590,529.81	180,920,049.75	567,670,480.06
Debt investments (including interest receivable)	6,830,936,996.85	2,323,680,392.77	4,507,256,604.08
Stage 1	1,013,724,984.01	50,245,268.52	963,479,715.49
Stage 2	239,556,823.39	28,617,903.53	210,938,919.86
Stage 3	5,577,655,189.45	2,244,817,220.72	3,332,837,968.73
Other financial assets – measured at amortised cost	391,445,932.54	50,152,632.78	341,293,299.76
Stage 1	218,136,913.67	9,956,931.67	208,179,982.00
Stage 2	146,266,476.86	15,434,717.37	130,831,759.49
Stage 3	27,042,542.01	24,760,983.74	2,281,558.27
<b>Total</b>	<b>10,455,406,916.33</b>	<b>2,726,385,664.71</b>	<b>7,729,021,251.62</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## IX. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

### 1. Credit risk (Continued)

#### (3) Maximum credit risk exposure (Continued)

##### ① Financial instruments subject to impairment (Continued)

Item	Original carrying amount	Opening Impairment provision	Net carrying amount
Monetary assets (Stage 1)	2,240,590,484.12		2,240,590,484.12
Financial assets purchased under resale agreements (Stage 1)	357,260,491.66		357,260,491.66
Loans and advances to customers (including interest receivable)	1,254,016,660.54	230,045,566.35	1,023,971,094.19
Stage 1	868,008,960.54	52,911,834.61	815,097,125.93
Stage 2	8,400,000.00	795,480.00	7,604,520.00
Stage 3	377,607,700.00	176,338,251.74	201,269,448.26
Debt investments (including interest receivable)	6,008,903,481.60	2,176,168,648.67	3,832,734,832.93
Stage 1	179,554,083.37	7,384,385.61	172,169,697.76
Stage 2	565,528,848.72	62,305,373.25	503,223,475.47
Stage 3	5,263,820,549.51	2,106,478,889.81	3,157,341,659.70
Other financial assets – measured at amortised cost	282,253,888.39	24,079,415.59	258,174,472.80
Stage 1	244,288,885.49	7,163,731.33	237,125,154.16
Stage 2	20,791,973.47	1,968,999.90	18,822,973.57
Stage 3	17,173,029.43	14,946,684.36	2,226,345.07
<b>Total</b>	<b>10,143,025,006.31</b>	<b>2,430,293,630.61</b>	<b>7,712,731,375.70</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## IX. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

### 1. Credit risk (Continued)

#### (3) Maximum credit risk exposure (Continued)

##### ② Loans to customers with credit loss

The original value and impairment of loans and advances to customers and the value of collateral held are as follows:

Item	Closing balance	Opening balance
Original amount of loans and advances to customers	748,030,000.00	377,607,700.00
Less: ECL	180,856,030.54	176,338,251.74
Net loans and advances to customers	567,173,969.46	201,269,448.26
Value of collateral	897,257,991.26	267,491,384.59

The value of collateral is determined in accordance with the latest available third-party evaluation result after taking into the liquidity and market conditions.

##### ③ Financial investments – amortised cost that are impaired

The original value and impairment of debt investments and the value of collateral held are as follows:

Item	Closing balance	Opening balance
Original amount of debt investments	5,489,168,794.02	5,263,820,549.51
Less: ECL	2,157,837,709.40	2,106,478,889.81
Net debt investments	3,331,331,084.62	3,157,341,659.70
Value of collateral	4,063,111,102.29	3,937,785,344.88

The value of collateral is determined in accordance with the latest available third-party evaluation result after taking into the liquidity and market conditions.

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## IX. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

### 2. Market risk

#### (1) Market price risk

Market price risk refers to the risk that the fair value or future cash flow of financial instruments held by the Group will fluctuate due to market price factors other than market interest rate and foreign exchange rate. The Group mainly invests in stocks, funds and equity of unlisted companies, and the maximum market price risk is determined by the fair value of the financial instruments it held.

The Company selects and disperses the investment portfolio based on the investment limit set by the board of directors in order to manage the relevant price risks.

The following table summarizes the Group's market price risk. For the balance sheet items, it shall be presented in accordance with its book value on balance sheet date.

Name of investors	Closing		Opening	
	Fair value	% of net asset	Fair value	% of net asset
Financial assets at FVTPL	4,506,454,958.18	40.64	4,082,960,835.53	37.34
Enterprises invested by the consolidated structured entities measured at fair value	322,478,427.00	2.91	387,404,424.00	3.54
Assets classified as held for sale			675,177,700.00	6.17

The following tables illustrate the impact of an increase or decrease of 1% in price of financial assets at FVTPL and enterprises invested by the consolidated structured entities measured at fair value on the Group's net profit and shareholders' equity before tax.

Net profit	Year 2023		Year 2022
Increase 1%	36,217,000.39		38,591,572.20
Decrease 1%	-36,217,000.39		-38,591,572.20

Shareholders' equity	Closing balance	Opening balance
Increase 1%	36,217,000.39	38,591,572.20
Decrease 1%	-36,217,000.39	-38,591,572.20

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## IX. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

### 2. Market risk (Continued)

#### (2) Interest rate risk

Interest rate risk refers to the possibility that the Group's financial position and cash flow fluctuates due to changes in market interest rate. The changes in market interest rate may lead to increase or decrease in interest income of the Group, which will impact the amount of total profit and shareholders' equity. The Group's interest rate risk management is mainly focused on cash flow interest rate risk management.

As of 31 December 2023, the main interest-bearing assets held by the Group include monetary assets, loans and advances to customers, debt investments and financial assets purchased under resale agreements which accounts 52.14% of total assets of the Group (31 December 2022: 51.56%). The majority of monetary assets, loans and advances to customers and financial assets purchased under repurchase agreements will mature within one year and thus the cash flow interest rate risk of the Group for holding these assets is not significant.

As of 31 December 2023, the Company's main interest bearing liability includes borrowings from China Trust Protection Fund Co., Ltd. of RMB975 million, which amounted to 31.65% of total liabilities of the Group (31 December 2022: RMB2,005 million, which amounted to 56.91% of total liabilities of the Group). Such short-term borrowings are fixed rate, with no interest risk.

The Group also invests in certain financing trust schemes established and managed by itself. The underlying assets of these financing trust schemes are mainly loans to customers. The investors of these trust schemes including the Group are entitled to an expected investment return at fixed rate throughout the whole investment period. The Group is not subject to significant risk from the volatility of market interest rate or changes in benchmark interest rate.

#### (3) Foreign exchange risk

The Group's business is mainly operated in the PRC and settled in RMB. As of 31 December 2023, all proceeds from issuance of H shares were settled to the Company's domestic accounts, which was not expected to have a material impact on foreign exchange risk of the Group.

### 3. Liquidity risk

Liquidity risk is the risk that the Group may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

The Group forecasts its cash flows and monitors the short-term and long-term capital need to ensure it has sufficient cash reserve and securities that are readily convertible to cash. The Group holds sufficient unrestricted cash at bank to satisfy the capital need for the daily operations. As of 31 December 2023, the Group has a short-term borrowing from China Trust Protection Fund Co., Ltd. amounting to RMB975 million (31 December 2022: RMB2,005 million).

The majority of the Group's financial liabilities on the consolidated balance sheet are amount attributable to third party beneficiaries of the trust schemes included in the scope of consolidation. Management is of the view that the Group is not subject to significant liquidity risk.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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(All amounts expressed in RMB unless otherwise stated)

## X. CAPITAL MANAGEMENT

The core of the Company's capital management is net capital and risk-based capital. The objectives of the Group's capital management policy are to meet external regulatory requirements, assure the Group's continuous operation and thus create returns for the shareholders. At the same time, the Group aims to benefit other stakeholders and maintain the optimal capital structure to reduce the capital cost.

The Company prudently determines the objectives of net capital and risk-based capital management which meet the regulatory requirements and are in line with its own risk exposure. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders or issue new shares.

The Company monitors the net capital and risk-based capital regularly based on regulations issued by the CBRC. Effective from 20 August 2010, the Company started to implement the CBRC's regulation of "Measures for the Administration of Net Capital of Trust Companies" which was issued on the same day. Pursuant to this regulation, a trust company shall maintain its net capital at a level of no less than RMB200 million, the ratio of net capital to total risk-based capital at no less than 100%, and the ratio of net capital to net asset at no less than 40%. The Company reports the required capital information to the CBIRC on a quarterly basis. Total risk-based capital is defined as the sum of 1) risk-based capital of our proprietary business; 2) risk-based capital of our trust business; and 3) risk-based capital of our other business, if any. The risk-based capital is calculated by applying a risk factor which ranges from 0% to 50% for proprietary business, and 0.1% to 9.0% for trust business.

## XI. DISCLOSURE OF FAIR VALUE

### 1. Fair value hierarchy

The level of the fair value measurement result is determined by the lowest level of the input value which is of great significance to the fair value measurement as a whole:

Level 1: unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2: direct or indirect observable inputs for underlying assets or liabilities other than inputs within Level 1.

Level 3: unobservable inputs for underlying assets or liabilities.

### 2. Closing fair value of assets and liabilities not measured at fair value

Financial assets and liabilities in the financial statement which are not measured at fair value mainly include: monetary assets, financial assets purchased under resale agreements, loans and advances to customers, debt investments, other assets, short-term borrowings, net assets attributable to third party investors of consolidated structured entities, and other payables. As of 31 December 2023 and 31 December 2022, their fair value approximate carrying amounts.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 January 2023 to 31 December 2023

(All amounts expressed in RMB unless otherwise stated)

## XI. DISCLOSURE OF FAIR VALUE (CONTINUED)

### 3. Closing fair value of assets and liabilities measured at fair value

Item	Closing fair value			Total
	Fair value measurement at level 1	Fair value measurement at level 2	Fair value measurement at level 3	
<b>I. Continuous fair value measurement</b>				
(I) Financial assets held for trading	1,156,251,400.64	1,120,176,478.38	2,230,027,079.16	4,506,454,958.18
1. Financial assets at FVTPL	1,156,251,400.64	1,120,176,478.38	2,230,027,079.16	4,506,454,958.18
(1) Stock investment	372,932,106.32	1,108,548,394.12		1,481,480,500.44
(2) Equity investments in unlisted companies			661,871,769.23	661,871,769.23
(3) Bond investments		11,628,084.26		11,628,084.26
(4) Investments in asset management scheme			937,216,509.01	937,216,509.01
(5) Public fund investments	783,319,294.32			783,319,294.32
(6) Investments in trust schemes of equity products			518,630,798.74	518,630,798.74
(7) Trust Industry Protection Fund			112,308,002.18	112,308,002.18
(II) Long-term equity investments – Enterprises invested by the consolidated structured entities			322,478,427.00	322,478,427.00
<b>Total assets with continuous fair value measurement</b>	<b>1,156,251,400.64</b>	<b>1,120,176,478.38</b>	<b>2,552,505,506.16</b>	<b>4,828,933,385.18</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 January 2023 to 31 December 2023  
(All amounts expressed in RMB unless otherwise stated)

## XI. DISCLOSURE OF FAIR VALUE (CONTINUED)

### 3. Closing fair value of assets and liabilities measured at fair value (Continued)

Item	Fair value measurement at level 1	Opening fair value		Total
		Fair value measurement at level 2	Fair value measurement at level 3	
<b>I. Continuous fair value measurement</b>				
(I) Financial assets held for trading	1,515,559,904.84	390,546,036.30	2,176,854,894.39	4,082,960,835.53
1. Financial assets at FVTPL	1,515,559,904.84	390,546,036.30	2,176,854,894.39	4,082,960,835.53
(1) Stock investment	43,366,067.00			43,366,067.00
(2) Equity investments in unlisted companies			596,213,826.59	596,213,826.59
(3) Bond investments		390,546,036.30		390,546,036.30
(4) Investments in asset management scheme			697,700,734.59	697,700,734.59
(5) Public fund investments	1,472,193,837.84			1,472,193,837.84
(6) Investments in trust schemes of equity products			773,059,591.74	773,059,591.74
(7) Trust Industry Protection Fund			109,880,741.47	109,880,741.47
(II) Long-term equity investments – Enterprises invested by the consolidated structured entities			387,404,424.00	387,404,424.00
(III) Assets held for sales			675,177,700.00	675,177,700.00
<b>Total assets with continuous fair value measurement</b>	<b>1,515,559,904.84</b>	<b>390,546,036.30</b>	<b>3,239,437,018.39</b>	<b>5,145,542,959.53</b>

The Group uses the date of the event that caused the transfer between each level as the time point for the recognition of transfer between each level. There is no transfer between Level 1 and Level 2 in current year and previous year.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 January 2023 to 31 December 2023

(All amounts expressed in RMB unless otherwise stated)

## XI. DISCLOSURE OF FAIR VALUE (CONTINUED)

### 3. Closing fair value of assets and liabilities measured at fair value (Continued)

#### (1) *Basis for determining the market price of continuous and non-continuous Level 1 items measured at fair value*

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

#### (2) *Continuous and non-continuous Level 2 items measured at fair value, qualitative and quantitative information of valuation technique and important parameters adopted*

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 January 2023 to 31 December 2023  
(All amounts expressed in RMB unless otherwise stated)

## XI. DISCLOSURE OF FAIR VALUE (CONTINUED)

### 3. Closing fair value of assets and liabilities measured at fair value (Continued)

(3) *Continuous and non-continuous Level 3 items measured at fair value, qualitative and quantitative information of valuation technique and important parameters adopted*

The movement of Level 3 assets as follow:

Item	Financial assets at FVTPL	Long-term equity investments	Assets held for sale	Total
1 January 2023	2,176,854,894.39	387,404,424.00	675,177,700.00	3,239,437,018.39
Purchase/Transfer	342,503,178.60			342,503,178.60
Sale/Transfer	545,333,280.76	49,571,500.00	675,177,700.00	1,270,082,480.76
Changes of gain or loss through				
profit or loss in current year	256,002,286.93	-15,354,497.00		240,647,789.93
31 December 2023	2,230,027,079.16	322,478,427.00		2,552,505,506.16
Assets held as at 31 December 2023				
included in unrealized gain or loss of				
gains from change in fair value				
through profit or loss of 2023	64,011,793.27			64,011,793.27

Note: Gain or loss through profit or loss are included in items such as gains from change in fair value, investment income, credit impairment loss in the profit statement.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 January 2023 to 31 December 2023

(All amounts expressed in RMB unless otherwise stated)

## XI. DISCLOSURE OF FAIR VALUE (CONTINUED)

### 3. Closing fair value of assets and liabilities measured at fair value (Continued)

#### (3) Continuous and non-continuous Level 3 items measured at fair value, qualitative and quantitative information of valuation technique and important parameters adopted

Information about Level 3 fair value measurement using important unobservable inputs is as follow:

Item	Fair value on 31 December 2023	Valuation technique	Unobservable input	Range
Financial assets at FVTPL			Price-to-book Ratio (PB ratio)	
– Equity investments in unlisted companies	142,438,771.74	Comparable company method	Lack of liquidity discount	1.40 14%
– Investment in trust schemes	74,107,569.81	Discounted cash flow method	Discount rate	6%~10%
Long-term equity investments				
– Enterprises invested by the consolidated structured entities	322,478,427.00	Discounted cash flow method	Discount rate	12%~13%

Note 1: PB ratio represents the amounts used by the Group when determining that market participants would use the multiples to price such investments.

Note 2: Lack of liquidity discount represents the amounts used by the Group when determining that market participants would price such investments taking into account such discounts.

As of 31 December 2023, remaining fair value classified as Level 3 investments amounted to RMB2,013,480,737.61, which was calculated on the basis of unobservable inputs such as net asset value of securities investment portfolio.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 January 2023 to 31 December 2023  
(All amounts expressed in RMB unless otherwise stated)

## XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

### (I) Related party relations

#### 1. Parent company of the Company

##### (1) Information of the Company's parent company

Name of parent	Place of registration	Business nature	Registered Capital (RMB10,000)	Shareholding proportion in the Company	Percentage of voting rights in the Company
Shandong Lucion Investment Holdings Group Co., Ltd.	Jinan, Shandong	Foreign investment and management, investment consulting, asset management, custody operation, capital operation and guarantee	3,600,000	52.96%	52.96%

Note: Among which, Shandong Lucion Investment Holdings Group Co., Ltd. indirectly holds 4.83% through its subsidiary Shandong High-tech Investment Corporation. (31 December 2022: 4.83%).

##### (2) Registered capital of parent and its changes

Name of parent	Opening balance	Increase in current year	Decrease in current year	Closing balance
Shandong Lucion Investment Holdings Group Co., Ltd.	31,200,000,000.00	4,800,000,000.00		36,000,000,000.00

##### (3) Shares or equity held by parent and its changes

Name of parent	Shareholding amount		Shareholding	
	Closing balance	Opening balance	Closing	Opening
Shandong Lucion Investment Holdings Group Co., Ltd.	2,242,202,578.74	2,242,202,578.74	52.96%	52.96%

Note: Among which, the shareholding of Shandong Lucion Investment Holdings Group Co., Ltd. indirectly holds through its subsidiary Shandong High-tech Investment Corporation amounted to 225,000,000.00 (31 December 2022: 225,000,000.00).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 January 2023 to 31 December 2023

(All amounts expressed in RMB unless otherwise stated)

## XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

### (I) Related party relations (Continued)

#### 2. Subsidiaries

Please refer to Note "VIII.1.(1) Composition of enterprise group "for details of subsidiaries.

#### 3. Other related parties

Name of other related parties	Relationship with the Company
Luxin Science and Technology Co., Ltd.	Other enterprises controlled by the same controlling shareholder and ultimate controlling party
Jinan Luxin Asset Management Co., Ltd.	Other enterprises controlled by the same controlling shareholder and ultimate controlling party
First-Trust Fund Management Co., Ltd.	Other enterprises controlled by the same controlling shareholder and ultimate controlling party
Shandong Financial Asset Management Co., Ltd.	Other enterprises controlled by the same controlling shareholder and ultimate controlling party

### (II) Related party transactions

#### 1. Transactions with trust schemes as related parties

Trust schemes controlled by the Group or Lucion Group are deemed to be the related parties of the Group:

Item	31 December 2023	31 December 2022
Number of trust schemes controlled by the Group (Note VIII.1.(2))	22	19
Number of trust schemes controlled by Lucion Group (Except for the Group)	17	13

Trust schemes controlled by the Group have been included in the scope of consolidated financial statements, and the paid-up trusts scale of trust schemes controlled by Lucion Group (except for the Group) is as follow:

Item	31 December 2023	31 December 2022
Trust schemes controlled by Lucion Group	7,975,582,864.67	3,667,814,765.28

The trust remuneration obtained by the Group from the trust schemes controlled by Lucion Group (except for the Group) is as follow:

Item	31 December 2023	31 December 2022
Trust remuneration	4,679,990.86	17,030,708.55

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 January 2023 to 31 December 2023  
(All amounts expressed in RMB unless otherwise stated)

## XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

### (II) Related party transactions (Continued)

#### 2. Related parties as trustors of trust schemes

In 2023, the related parties who invested in the consolidated trust scheme established and managed by the Company as trustor included Shandong Lucion Group and its subsidiaries, joint ventures and associates (2022: same).

#### (1) Related parties as trustors of trust schemes included in the scope of consolidated financial statement

Related parties' interests in these consolidated trust schemes are reported as other liabilities in the Group's consolidated balance sheet.

Item	31 December 2023	31 December 2022
Related parties as trustors of trust schemes	1	
Interests entitled to related party	-5,139,702.12	

The trust income received by the related parties from the trust schemes is included in the scope of consolidated financial statement is presented as the interest expenditure or gains from changes in net assets attributable to third-party investors in consolidated structured entities in the consolidated profit statement.

Item	2023	2022
Interest expenses	-5,139,702.12	
Gains from changes in net assets attributable to third-party investors in consolidated structured entities		

#### (2) Related parties as trustors of trust schemes not included in the scope of consolidated financial statement

Item	31 December 2023	31 December 2022
Related parties as trustors of trust schemes	18	19
Interests entitled to related party	7,970,975,269.73	5,338,713,565.64
Total size of these trust schemes	8,044,582,864.67	7,566,953,686.48

The trust remuneration contributed by these trust schemes are presented as the fee and commission income in the consolidated profit statement:

Item	2023	2022
Fee and commission income	4,679,990.86	30,993,040.57

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 January 2023 to 31 December 2023

(All amounts expressed in RMB unless otherwise stated)

## XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

### (II) Related party transactions (Continued)

#### 3. Related parties as counterparty of trust schemes not included in the scope of consolidated financial statement

Item	31 December 2023	31 December 2022
Number of trust schemes with related parties as counterparty	4	3
Amount financed by related parties	455,600,000.00	414,377,215.22
Total size of these trust schemes	455,600,000.00	414,377,215.22

The trust remuneration contributed by these trust schemes are presented as the fee and commission income in the consolidated profit statement:

Item	2023	2022
Fee and commission income	6,647,663.83	15,400,999.03

#### 4. Related parties as counterparty of trust schemes included in the scope of consolidated financial statement

Item	31 December 2023	31 December 2022
Number of trust schemes with related parties as counterparty	4	3
Amount financed by related parties	203,416,097.00	115,834,860.00
Total size of these trust schemes	203,416,097.00	197,320,000.00

The trust remuneration contributed by these trust schemes are presented as the interest income in the consolidated profit statement:

Item	2023	2022
Interest income	6,647,663.83	1,504,899.01

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 January 2023 to 31 December 2023  
(All amounts expressed in RMB unless otherwise stated)

## XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

### (II) Related party transactions (Continued)

#### 5. Related parties transactions with key management personnel and their immediate family members

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

##### (1) Key management compensation

Item	2023	2022
Key management compensation	10,883,415.23	15,444,472.47

##### (2) Investments of key management in trust schemes managed by the Company (as trustee of trust schemes)

Item	31 December 2023	31 December 2022
Investment amount	421,919.00	711,199.14
Total size of these trust schemes	12,145,736.00	112,770,323.65

The trust remuneration contributed by these trust schemes are presented as the fee and commission income in the consolidated profit statement:

Item	2023	2022
Fee and commission income	113,487.12	206,022.26

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 January 2023 to 31 December 2023

(All amounts expressed in RMB unless otherwise stated)

## XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

### (II) Related party transactions (Continued)

#### 6. Other related party transactions

##### (1) Purchase of goods and receipt of services

Related party	Content	Year 2023	Year 2022
Lucion Science and Technology Co., Ltd.	System maintenance expenses	4,259,433.98	4,575,471.72
	Technical development expenses	242,500.00	
Jinan Luxin Asset Management Co., Ltd.	Welfare fee	2,036,647.79	2,219,737.93
	Rental fee	19,546,051.15	21,973,817.21
	Management fee and design fee of decoration work		3,176,533.30
Shandong Lucion Investment Holding Group Co., Ltd.	Guarantee fee	4,443,397.22	9,345,943.70
Shandong Financial Asset Management Co., Ltd.	Share transfer	675,177,700.00	
	Financial product transfer	1,000,000.00	3,700,000,000.00
	Sale of affiliate Advances for litigation cost, property insurance premium and legal service fee	15,503,905.00	4,038,817,800.00
Total		722,209,635.14	7,780,109,303.86

### (III) Related parties' balances

#### 1. Receivables

Item	Related party	Closing balance		Opening balance	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
Other receivables	Shandong Financial Asset Management Co., Ltd.	105,503,905.00	11,310,018.62	90,000,000.00	
Prepayment	Shandong Lucion Investment Holding Group Co., Ltd.	2,287,047.95		1,867,945.17	
Prepayment	Jinan Luxin Asset Management Co., Ltd.	472,226.48		148,931.43	
Prepayment	Lucion Science and Technology Co., Ltd.	242,500.00			

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 January 2023 to 31 December 2023  
(All amounts expressed in RMB unless otherwise stated)

## XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

### (III) Related parties' balances (Continued)

#### 2. Payables

Item	Related party	Book balance at the end of the year	Book balance at beginning of the year
Accounts payable	Jinan Luxin Asset Management Co., Ltd.	9,687,169.71	2,223,573.31
Other payables	First-Trust Fund Management Co., Ltd.	5,675.57	

## XIII. CONTINGENCIES

As of 31 December 2023, the Group has no contingencies need to be disclosed.

## XIV. COMMITMENTS

As of 31 December 2023, the Group had no material commitments.

## XV. MATTERS AFTER THE BALANCE SHEET DATE

As of the date when the financial report was approved for issuance, the Group had no material matters after the balance sheet date.

## XVI. OTHER IMPORTANT ISSUES

### 1. Segment information

The Group determines the operating segments based on the internal organisational structure, management requirements and internal reporting system, and determines the reporting segments based on the operating segments and discloses the segment information. The senior management represented by the general manager is the Group's chief operating decision maker.

Segment assets and liabilities, segment revenue, expenses and operating results are measured in accordance with the Group's accounting policies. There are no differences between the accounting policies used in preparing the operating segment information and those used in the preparation of the Group's financial statements .

Segment revenue, operating results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The Group has two reporting segments, being proprietary business and trust business.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 January 2023 to 31 December 2023

(All amounts expressed in RMB unless otherwise stated)

## XVI. OTHER IMPORTANT ISSUES (CONTINUED)

### 1. Segment information (Continued)

(1) Segment information for 2023 and 31 December 2023 is set out below:

Item	Year 2023			Total
	Proprietary business	Trust business	Undistributed	
Net fee and commission income		766,121,700.97		766,121,700.97
Net interest income	99,607,087.27	627,815.77		100,234,903.04
Gains from changes in fair value	212,740,173.75			212,740,173.75
Gains from changes in net assets attributable to third-party investors	26,262,792.35			26,262,792.35
Investment income	72,373,260.70			72,373,260.70
Other operating income	12,677,482.99			12,677,482.99
Gains on disposal of assets	46,913.92			46,913.92
Exchange gains	0.16			0.16
<b>Total operating income</b>	<b>423,707,711.14</b>	<b>766,749,516.74</b>		<b>1,190,457,227.88</b>
Taxes and surcharges	1,897,356.96	6,458,654.96		8,356,011.92
Business and administrative expenses	14,261,419.10	254,811,757.15		269,073,176.25
Credit impairment losses	500,461,628.77			500,461,628.77
Other operating costs	2,627.13	3,216,378.48		3,219,005.61
<b>Total operating costs</b>	<b>516,623,031.96</b>	<b>264,486,790.59</b>		<b>781,109,822.55</b>
Non-operating income	2,935,017.87			2,935,017.87
Non-operating expenses	99,675.49	122,032,051.00		122,131,726.49
<b>Total profit</b>	<b>-90,079,978.44</b>	<b>380,230,675.15</b>		<b>290,150,696.71</b>

Item	Closing balance			Total
	Proprietary business	Trust business	Undistributed	
Total assets	13,349,796,701.51	789,346,250.77	29,741,358.93	14,168,884,311.21
Total liabilities	2,717,651,805.22	333,940,146.10	27,914,399.41	3,079,506,350.73

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 January 2023 to 31 December 2023  
(All amounts expressed in RMB unless otherwise stated)

## XVI. OTHER IMPORTANT ISSUES (CONTINUED)

### 1. Segment information (Continued)

(2) Segment information for 2022 and 31 December 2022 is set out below:

Item	Year 2022			Total
	Proprietary business	Trust business	Undistributed	
Net fee and commission income		981,742,563.99		981,742,563.99
Net interest income	-78,020,648.83	1,399,747.07		-76,620,901.76
Gains from changes in fair value	40,217,959.53			40,217,959.53
Gains from changes in net assets attributable to third-party investors	35,053,235.73			35,053,235.73
Investment income	520,345,041.57			520,345,041.57
Other operating income	7,794,603.68			7,794,603.68
Gains on disposal of assets	173,354.64			173,354.64
Exchange gains	0.83			0.83
<b>Total operating income</b>	525,563,547.15	983,142,311.06		1,508,705,858.21
Taxes and surcharges	1,090,348.64	11,821,153.39		12,911,502.03
Operation and administrative expense	14,981,773.69	268,472,833.21		283,454,606.90
Credit impairment losses	618,726,361.04			618,726,361.04
Other operating costs	6,964.54	874,623.23		881,587.77
<b>Total operating costs</b>	634,805,447.91	281,168,609.83		915,974,057.74
Non-operating income	621,059.83			621,059.83
Non-operating expenses	16,740.90	2,102,360.59		2,119,101.49
<b>Total profit</b>	-108,637,581.83	699,871,340.64		591,233,758.81

Item	Opening balance			Total
	Proprietary business	Trust business	Undistributed	
Total assets	13,505,358,763.93	821,204,101.83	131,569,407.02	14,458,132,272.78
Total liabilities	3,207,520,958.75	277,533,991.55	38,809,450.93	3,523,864,401.23

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 January 2023 to 31 December 2023

(All amounts expressed in RMB unless otherwise stated)

## XVI. OTHER IMPORTANT ISSUES (CONTINUED)

### 2. Remuneration of the Directors, Supervisors and the five highest paid individuals

(1) Details of the emoluments of the Directors and Supervisors are set out below:

Name	Emoluments	2023			Total
		Salaries and allowances and other benefits	Bonuses	Defined contribution plans	
<b>Executive Directors</b>					
Wan Zhong <sup>(1)(2)(13)</sup>	–	–	–	–	–
Fang Hao <sup>(13)</sup>	–	1,099,997.19	66,000.00	146,567.30	1,312,564.49
<b>Non-executive Directors<sup>(9)</sup></b>					
Wang Zengye <sup>(14)</sup>	–	–	–	–	–
Zhao Zikun <sup>(14)</sup>	–	–	–	–	–
Wang Bailing <sup>(14)</sup>	–	–	–	–	–
<b>Independent non-executive Directors</b>					
Yen Huai-chiang <sup>(5)(14)</sup>	100,000.00	–	–	–	100,000.00
Zheng Wei <sup>(6)(14)</sup>	121,839.05	–	–	–	121,839.05
Ding Huiping <sup>(6)(14)</sup>	59,782.55	–	–	–	59,782.55
Meng Rujing <sup>(4)(14)</sup>	100,000.00	–	–	–	100,000.00
Zhang Haiyan <sup>(5)(14)</sup>	–	–	–	–	–
Liu Wanwen <sup>(4)(14)</sup>	–	–	–	–	–
<b>Supervisors</b>					
Wu Chen <sup>(9)</sup>	–	–	–	–	–
Guo Shougui <sup>(9)</sup>	–	–	–	–	–
Chen Yong <sup>(9)</sup>	–	–	–	–	–
Hou Zhenkai <sup>(8)(9)</sup>	–	–	–	–	–
Wang Zhimei <sup>(9)</sup>	–	–	–	–	–
He Shuguang <sup>(8)(9)</sup>	–	–	–	–	–
Zhang Wenbin <sup>(10)</sup>	–	428,613.79	7,000.00	94,825.05	530,438.84
Wang Yan <sup>(12)</sup>	80,000.00	–	–	–	80,000.00
Li Yan <sup>(10)(11)</sup>	–	901,271.74	–	40,717.44	941,989.18
Wei Xiangyang <sup>(10)(11)</sup>	–	429,593.47	9,360.00	94,825.05	533,778.52
<b>Total</b>	<b>461,621.60</b>	<b>2,859,476.19</b>	<b>82,360.00</b>	<b>376,934.84</b>	<b>3,780,392.63</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 January 2023 to 31 December 2023  
(All amounts expressed in RMB unless otherwise stated)

## XVI. OTHER IMPORTANT ISSUES (CONTINUED)

### 2. Remuneration of the Directors, Supervisors and the five highest paid individuals (Continued)

(1) Details of the emoluments of the Directors and Supervisors are set out below:  
(Continued)

Name	Remuneration	2022			Total
		Salaries and allowances and other benefits	Bonuses	Defined contribution plans	
<b>Executive Directors</b>					
Wan Zhong <sup>(1)(13)</sup>	–	278,042.31	–	–	278,042.31
Fang Hao <sup>(13)</sup>	–	969,205.74	527,429.64	112,458.42	1,609,093.80
<b>Non-executive Directors<sup>(9)</sup></b>					
Wang Zengye <sup>(14)</sup>	–	–	–	–	–
Zhao Zikun <sup>(14)</sup>	–	–	–	–	–
Wang Bailing <sup>(14)</sup>	–	–	–	–	–
<b>Independent non-executive Directors</b>					
Yen Huai-chiang <sup>(14)(15)</sup>	100,000.00	–	–	–	100,000.00
Zheng Wei <sup>(6)(14)</sup>	41,666.67	–	–	–	41,666.67
Ding Huiping <sup>(14)(15)</sup>	100,000.00	–	–	–	100,000.00
Meng Rujing <sup>(14)(15)</sup>	100,000.00	–	–	–	100,000.00
<b>Supervisors</b>					
Wu Chen <sup>(9)</sup>	–	–	–	–	–
Guo Shougui <sup>(9)</sup>	–	–	–	–	–
Chen Yong <sup>(9)</sup>	–	–	–	–	–
Hou Zhenkai <sup>(9)</sup>	–	–	–	–	–
Wang Zhimei <sup>(9)</sup>	–	–	–	–	–
Zuo Hui <sup>(7)(10)</sup>	–	534,285.74	265,490.00	84,012.83	883,788.57
Zhang Wenbin <sup>(10)</sup>	–	456,165.74	241,859.79	84,012.83	782,038.36
Wang Yan <sup>(12)</sup>	80,000.00	–	–	–	80,000.00
Li Yan <sup>(10)(11)</sup>	–	1,616,004.67	567,878.13	84,012.83	2,267,895.63
Wei Xiangyang <sup>(10)(11)</sup>	–	456,165.74	231,073.49	78,228.05	765,467.28
<b>Total</b>	<b>421,666.67</b>	<b>4,309,869.94</b>	<b>1,833,731.05</b>	<b>442,724.96</b>	<b>7,007,992.62</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 January 2023 to 31 December 2023

(All amounts expressed in RMB unless otherwise stated)

## XVI. OTHER IMPORTANT ISSUES (CONTINUED)

### 2. Remuneration of the Directors, Supervisors and the five highest paid individuals (Continued)

#### (1) Details of the emoluments of the Directors and Supervisors are set out below: (Continued)

- (1) Wan Zhong is chairman of the Company and his emolument disclosed above includes all the emoluments he receives from the Company.
- (2) Wan Zhong resigned from the positions of executive Director and chairman in November 2023 and effective in November 2023.
- (3) These non-executive Directors did not receive any emoluments from the Company.
- (4) Liu Wanwen was elected as an independent non-executive Director in October 2023, effective in December 2023; Meng Rujing ceased to be an independent non-executive Director from December 2023 and the emoluments disclosed here represent the emoluments received by her in 2022 as an independent non-executive Director of the Company.
- (5) Zhang Haiyan was elected as an independent non-executive Director in November 2022, effective in April 2023, Zhang Haiyan did not receive any emolument from the Company; Yen Huai-chiang ceased to serve as an independent non-executive Director since April 2023, and his emoluments disclosed herein represent the emoluments received in 2022 as an independent non-executive Director of the Company.
- (6) Zheng Wei was elected as an independent non-executive Director in March 2022, effective in August 2022; Ding Huiping ceased to be an independent non-executive Director with effect from August 2022, and his emoluments disclosed herein represent the emoluments received in 2022 as an independent non-executive Director of the Company.
- (7) Zuo Hui resigned as Supervisor in August 2022.
- (8) Hou Zhenkai resigned as a shareholder representative Supervisor in May 2023; He Shuguang was elected as a shareholder representative Supervisor in June 2023.
- (9) The Supervisor is shareholder representative Supervisor and the Supervisor did not receive any emoluments from the Company.
- (10) These Supervisors are the employees of the Company and their emoluments disclosed above include all the emoluments they receive from the Company.
- (11) Li Yan and Wei Xiangyang were elected as Supervisors in January 2022 and August 2022, respectively.
- (12) The Supervisor is an external Supervisor and her emolument disclosed above include all the emolument she receives from the Company.
- (13) The emoluments represent the payments to the Directors in respect of their services in connection with management affairs of the Group.
- (14) The emoluments represent the payments to the Directors in respect of their services as Directors of the Company.
- (15) The emoluments disclosed herein represent the emoluments received by him as an independent non-executive director of the Company in 2021.

None of the Directors of the Company waived or agreed to waive any emoluments paid by the Group in 2023 (2022: same).

The bonus is based on business performance.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 January 2023 to 31 December 2023  
(All amounts expressed in RMB unless otherwise stated)

## XVI. OTHER IMPORTANT ISSUES (CONTINUED)

### 2. Remuneration of the Directors, Supervisors and the five highest paid individuals (Continued)

#### (2) Five highest paid individuals

For the year of 2023, the five highest paid individuals of the Group do not include any Director or Supervisor (2022: same), whose emolument has been disclosed above.

The aggregated emoluments of the five highest paid individuals for the year 2023 are as follows:

Item	Year 2023	Year 2022
Salaries and allowances and other benefits	2,792,799.30	5,245,730.52
Bonuses	571,927.71	3,671,920.27
Defined contribution plans	799,446.95	703,671.19
<b>Total</b>	<b>4,164,173.96</b>	<b>9,621,321.98</b>

The emoluments of the five highest paid individuals fell within the following bands:

Item	No. of individuals in 2023	No. of individuals in 2022
500,001 to 1,000,000	5	
1,000,001 to 1,500,000		2
1,500,001 to 2,000,000		1
2,000,001 to 2,500,000		1
2,500,001 to 3,000,000		
3,000,001 to 3,500,000		1
<b>Total</b>	<b>5</b>	<b>5</b>

No emoluments had been paid or payable by the Group to any of the Directors, Supervisors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the year of 2023 (2022: same).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 January 2023 to 31 December 2023

(All amounts expressed in RMB unless otherwise stated)

## XVII. NOTES TO MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF PARENT

### 1. Loans and advances to customers

#### (1) Information on loans and advances to customers

Item	Book balance	Closing balance	
		Loss allowance	Book value
Principal	115,000,000.00	6,475,578.08	108,524,421.92
Interest receivables	7,526,111.11	423,720.06	7,102,391.05
<b>Total</b>	<b>122,526,111.11</b>	<b>6,899,298.14</b>	<b>115,626,812.97</b>

Item	Book balance	Opening balance	
		Loss allowance	Book value
Principal	115,000,000.00	7,697,675.92	107,302,324.08
Interest receivables	297,083.33	19,874.87	277,208.46
<b>Total</b>	<b>115,297,083.33</b>	<b>7,717,550.79</b>	<b>107,579,532.54</b>

Changes of impairment reserves for loans and advances to customers in current year

Item	Opening balance	Increase in current year	Decrease in current year	Closing balance
Principal	7,697,675.92		1,222,097.84	6,475,578.08
Interest receivables	19,874.87	403,845.19		423,720.06
<b>Total</b>	<b>7,717,550.79</b>	<b>403,845.19</b>	<b>1,222,097.84</b>	<b>6,899,298.14</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 January 2023 to 31 December 2023  
(All amounts expressed in RMB unless otherwise stated)

## XVII. NOTES TO MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF PARENT (CONTINUED)

### 1. Loans and advances to customers (Continued)

#### (2) Accrual of impairment reserves for loans and advances to customers

Provision for bad debts	Stage 1	Stage 2	Stage 3	Total
	Expected credit losses for the next 12 months	Expected credit loss for the entire duration (no credit impairment)	Expected credit loss for the entire duration (credit impairment has occurred)	
<b>Balance as at 1 January 2023</b>	7,717,550.79			7,717,550.79
Balance as at 1 January 2023 in current year	—	—	—	—
- Transfer to stage 2				
- Transfer to stage 3				
- Reverse to stage 2				
- Reverse to stage 1				
Accrual in current year	-818,252.65			-818,252.65
Reversal in current year				
Cancellation in current year				
Charge off in current year				
Other changes				
<b>Balance as at 31 December 2023</b>	6,899,298.14			6,899,298.14

#### (3) No loans and advances to customers were actually written off in current year

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 January 2023 to 31 December 2023

(All amounts expressed in RMB unless otherwise stated)

## XVII. NOTES TO MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF PARENT (CONTINUED)

### 2. Financial assets held for trading

Item	Closing balance	Opening balance
Financial assets at fair value through profit or loss	4,475,199,213.84	3,914,381,945.07
Including: Stock investments	1,481,480,500.44	43,366,067.00
Public fund investments	783,319,294.32	1,472,165,933.93
Investments in asset management plans	937,216,509.01	687,640,734.59
Bonds investment	11,599,782.00	320,707,772.59
Unlisted company equity investments	631,504,593.63	555,946,650.99
Trust Industry Protection Fund	111,447,735.70	108,895,194.23
Investment trust schemes	518,630,798.74	725,659,591.74
Total	4,475,199,213.84	3,914,381,945.07

### 3. Debt investments

#### (1) Details of debt investments

Item	Book balance	Closing balance	
		Loss allowance	Book value
Principal	5,913,114,600.48	2,275,784,603.20	3,637,329,997.28
Interest receivables	17,822,396.37	1,695,137.34	16,127,259.03
Total	5,930,936,996.85	2,277,479,740.54	3,653,457,256.31

Item	Book balance	Opening balance	
		Loss allowance	Book value
Principal	6,005,546,009.26	2,176,001,905.89	3,829,544,103.37
Interest receivables	3,357,472.34	166,742.78	3,190,729.56
Total	6,008,903,481.60	2,176,168,648.67	3,832,734,832.93

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 January 2023 to 31 December 2023  
(All amounts expressed in RMB unless otherwise stated)

## XVII. NOTES TO MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF PARENT (CONTINUED)

### 3. Debt investments (Continued)

#### (1) Details of debt investments (Continued)

Changes in impairment reserves of debt investment in current year

Item	Opening balance	Increase in current year	Decrease in current year	Closing balance
Principal	2,176,001,905.89	261,652,969.40	161,870,272.09	2,275,784,603.20
Interest receivables	166,742.78	1,528,394.56		1,695,137.34
<b>Total</b>	<b>2,176,168,648.67</b>	<b>263,181,363.96</b>	<b>161,870,272.09</b>	<b>2,277,479,740.54</b>

#### (2) Accrual of impairment reserve for debt investment

Provision for bad debts	Stage 1	Stage 2	Stage 3	Total
	Expected credit losses for the next 12 months	Expected credit loss for the entire duration (no credit impairment)	Expected credit loss for the entire duration (credit impairment has occurred)	
<b>Balance as at 1 January 2023</b>	7,384,385.61	62,305,373.25	2,106,478,889.81	2,176,168,648.67
Balance as at 1 January 2023 in current year	—	—	—	—
- Transfer to stage 2	-1,007,790.43	1,007,790.43		
- Transfer to stage 3		-62,204,036.52	62,204,036.52	
- Reverse to stage 2				
- Reverse to stage 1				
Accrual in current year	-2,331,978.89	26,001,892.26	239,511,450.59	263,181,363.96
Reversal in current year				
Cancellation in current year			161,870,272.09	161,870,272.09
Charge off in current year				
Other changes				
<b>Balance as at 31 December 2023</b>	<b>4,044,616.29</b>	<b>27,111,019.42</b>	<b>2,246,324,104.83</b>	<b>2,277,479,740.54</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 January 2023 to 31 December 2023

(All amounts expressed in RMB unless otherwise stated)

## XVII. NOTES TO MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF PARENT (CONTINUED)

### 4. Long-term equity investments

Item	Closing balance	Opening balance
Associates accounted for using equity method	521,590,675.22	515,702,755.86
Investment in structured equity – original value	2,872,724,273.12	1,500,034,281.88
Less: Impairment reserve for investment in structured equity	239,337,096.58	176,885,760.67
Investment in structured equity – net	2,633,387,176.54	1,323,148,521.21
<b>Total</b>	<b>3,154,977,851.76</b>	<b>1,838,851,277.07</b>

#### (1) Associates accounted for using equity method

Investee	Opening balance (Book value)	Increase or decrease in current year							Closing balance (Book value)	Balance of provision for impairment at the end of the year
		Increase investment	Reduce investment	Investment profit confirmed under equity method	Adjustment of other comprehensive income	Change in other equities	Declared cash dividend or profit	Accrual of impairment reserve Others		
Dezhou Bank Co., Ltd.	122,823,350.45			5,914,602.22	1,512,101.50				130,250,054.17	
Sinotruk Auto Finance Co., Ltd.	218,078,660.68			7,072,819.46	3,609.84				225,155,089.98	
Taishan Property & Casualty Insurance Co., Ltd.	171,033,112.06			-3,716,662.83	-5,039,169.13				162,277,280.10	
Anhui Luxin Private Equity Investment Fund Management Co., Ltd.	3,767,632.67			921,868.30				-781,250.00	3,908,250.97	
<b>Subtotal</b>	<b>515,702,755.86</b>			<b>10,192,627.15</b>	<b>-3,523,457.79</b>			<b>-781,250.00</b>	<b>521,590,675.22</b>	

#### (2) The invested structured entities

Item	Opening balance	Increase investment	Reduce investment	Cancellation in current year	Loss allowance	Closing balance
Investment in structured equity	1,323,148,521.21	1,550,590,758.92	177,900,767.68	37,000,000.00	99,451,335.91	2,633,387,176.54

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 January 2023 to 31 December 2023  
(All amounts expressed in RMB unless otherwise stated)

## XVII. NOTES TO MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF PARENT (CONTINUED)

### 5. Net interest income

Item	Year 2023	Year 2022
<b>Interest income</b>	<b>50,592,919.10</b>	36,724,546.90
Including: Cash and deposits in bank	1,546,504.67	965,563.78
Loans and advances to customers	6,831,323.20	7,694,102.51
Debt investments	27,008,523.27	6,519,671.24
Financial assets purchased under resale agreements	14,892,853.50	21,042,202.73
Others	313,714.46	503,006.64
<b>Interest expense</b>	<b>54,418,749.81</b>	117,887,673.12
Including: Short-term borrowings	51,153,566.63	114,384,833.35
Others	3,265,183.18	3,502,839.77
<b>Net interest income</b>	<b>-3,825,830.71</b>	-81,163,126.22

### 6. Net fee and commission income

Item	Year 2023	Year 2022
<b>Fee and commission income</b>	<b>792,403,318.34</b>	984,684,420.73
Including: trust remuneration	738,670,226.96	956,262,489.28
Others	53,733,091.38	28,421,931.45
<b>Fee and commission expenses</b>	<b>5,002,965.26</b>	8,543,619.82
Including: Guarantee fee	4,443,397.22	8,327,076.10
Others	559,568.04	216,543.72
<b>Net fee and commission income</b>	<b>787,400,353.08</b>	976,140,800.91

### 7. Investment income

Item	Year 2023	Year 2022
Income from long-term equity investments accounted for using equity method	10,192,627.15	176,985,273.73
Investment income from holding financial assets	121,969,549.27	52,016,452.20
Investment income from disposal of long-term equity investments		2,673,403,399.64
Investment income from disposal of other debt investments	817,066.27	-2,440,782,632.56
Total	132,979,242.69	461,622,493.01

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 January 2023 to 31 December 2023

(All amounts expressed in RMB unless otherwise stated)

## XVII. NOTES TO MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF PARENT (CONTINUED)

### 8. Gains from changes in fair value

Sources of gains from changes in fair value	Year 2023	Year 2022
Financial assets held for trading	237,994,672.40	49,332,993.07
Total	237,994,672.40	49,332,993.07

Shandong International Trust Co., Ltd.

26 March 2024

# ADDITIONAL INFORMATION DISCLOSURE REQUIRED BY REGULATORS

## DISCLOSURE OF INFORMATION ON SUBSTANTIAL SHAREHOLDERS REQUIRED BY NFRA

“Substantial Shareholders” mentioned in this section are Shareholders who hold or control more than 5% of the Shares or voting rights of the Company or who hold less than 5% of the total capital or total share capital but have a material impact on the operation and management of the Company. “Material Impact” means, including but not limited to the nomination of Directors, Supervisors or senior management of the Company, affecting the decision-making of finance, operation and management of the Company by way of agreements or other ways, and other circumstances recognised by the NFRA or its designated authorities. “Acting in concert” refers to an act or a fact that an investor and other investors jointly enlarge the number of the shares with voting rights in a certain company by way of agreements or other arrangements. The investors who agree to act in concert are parties acting in concert. “Ultimate beneficiary” refers to the parties who actually hold the equity income of the Company.

### Lucion Group

Lucion Group, established in the PRC in January 2002, is owned as to 90.75% by Shandong Provincial Finance Bureau and as to 9.25% by Shandong Caixin Assets Operation Co., Ltd. as at the date of this annual report, respectively. Its legal representative is Chen Xiuxing. It has a registered capital of RMB36.0 billion, and its registered address is Tower A, No. 2788 Aoti West Road, Lixia District, Jinan, Shandong Province, the PRC. Lucion Group is an investment holding company whose business scope involve financial asset investment and management, venture capital, new energy and new materials, printing investment, oil and gas and other investment and operation businesses.

As at the end of the Reporting Period, the controlling shareholder of Lucion Group was Shandong Province Finance Bureau, and the de facto controller and the ultimate beneficiary thereof was the People’s Government of Shandong Province. Lucion Group was acting in concert with Shandong High-Tech. Lucion Group has reported its related parties to the Company in accordance with regulatory provisions.

At the end of the Reporting Period, Lucion Group directly held 2,242,202,580 Domestic Shares of the Company and owned 225,000,000 Domestic Shares of the Company indirectly through its controlled company, holding 2,467,202,580 Shares in total, representing 52.96% of the total share capital of the Company. Mr. Yue Zengguang, Mr. Zhao Zikun, Directors of the Company, and Mr. He Shuguang, a Supervisor of the Company, were nominated by Lucion Group. During the reporting period, Lucion Group did not nominate other new directors or supervisors.

# ADDITIONAL INFORMATION DISCLOSURE REQUIRED BY REGULATORS

## CNPC Assets Management

CNPC Assets Management was established in the PRC in April 2000 as a wholly-owned subsidiary of CNPC Capital Company Limited. CNPC Capital Company Limited is a wholly-owned subsidiary of CNPC Capital Company Limited, which is an A share listed company whose controlling shareholder is CNPC. China National Petroleum Corporation is the largest oil and gas producer and supplier in the PRC and a limited liability company (wholly state-owned). Its legal representative is Wang Zengye, with a registered capital of RMB13,725,180,496.26, and its registered address is No. 9 Beidajie Street, Dongzhimen, Dongcheng District, Beijing, the PRC. CNPC Assets Management is principally engaged in investment and asset management.

As at the end of the Reporting Period, the controlling shareholder of CNPC Assets Management was CNPC Capital Company Limited, and the de facto controller and the ultimate beneficiary thereof was China National Petroleum Corporation. CNPC Assets Management did not have any party acting in concert or any acting-in-concert arrangement with any entity or individual. CNPC Assets Management has reported its related parties to the Company in accordance with regulatory provisions.

At the end of the Reporting Period, CNPC Assets Management held 873,528,750 domestic Shares in the Company, representing 18.75% of the total share capital of the Company. Mr. Wang Zengye, a Director of the Company, and Mr. Chen Yong, a Supervisor of the Company, were nominated by CNPC Assets Management. During the Reporting Period, no other additional Directors or Supervisors were nominated by CNPC Assets Management.

## Jinan Finance Holding

Jinan Finance Holding was established in May 2013 with the approval of Jinan Municipal Party Committee and State-owned Assets Supervision and Administration Commission of Jinan Municipal People's Government. Its legal representative is Liu Shijun, its registered capital is RMB9,086.8705 million, and its registered address is 35/F, Jinkong Building, No. 3-21 East Jiefang Road, Lixia District, Jinan, Shandong Province, the PRC. Jinan Finance Holding is principally engaged in asset investment, consulting, management and operation of state-owned assets as authorised by the government, capital operation and assets management, etc.

As at the end of the Reporting Period, the controlling shareholder of Jinan Finance Holding is Jinan Caijin Investment Holding Group Co., Ltd. The de facto controller and the ultimate beneficiary of Jinan Finance Holding was Jinan Finance Bureau and it did not have any party acting in concert or any acting-in-concert arrangement with any entity or individual. Jinan Finance Holding has reported its related parties to the Company in accordance with regulatory provisions.

At the end of the Reporting Period, Jinan Finance Holding held 252,765,000 H Shares of the Company, representing 5.43% of the total share capital of the Company. Wang Bailing, Director of the Company, was nominated by Jinan Finance Holding. During the Reporting Period, no other directors and supervisors was nominated by Jinan Finance Holding.

# ADDITIONAL INFORMATION DISCLOSURE REQUIRED BY REGULATORS

## Shandong High-Tech Venture Capital Co., Ltd.

Shandong High-Tech, established in the PRC in June 2000, is wholly-owned and established by Lucion Venture Capital, a subsidiary of Lucion Group. The legal representative is Wang Xudong, and the registered capital is RMB1,165.72 million. The registered address is No. 166 Jiefang Road, Jinan Municipal. It is mainly engaged in entrepreneurship investment.

As at the end of the Reporting Period, the controlling shareholder and the party acting in concert of Shandong High-Tech were Lucion Group, and the de facto controller and the ultimate beneficiary thereof was the People's Government of Shandong Province. Shandong High-Tech has reported its related parties to the Company in accordance with regulatory provisions.

As at the end of the Reporting Period, Shandong High-Tech held 225,000,000 Domestic Shares of the Company, representing 4.83% of the total share capital of the Company. Guo Shougui, a Supervisor of the Company, was nominated by Shandong High-Tech. During the Reporting Period, no other additional Directors or Supervisors were nominated by Shandong High-Tech.

## Shandong Gold Group Co., Ltd.

Shandong Gold Group Co., Ltd., established in the PRC in July 1996, is a state-owned enterprise held by State-owned Assets Supervision and Administration Commission of Jinan Municipal People's Government, Shandong Caixin Assets Operation Co., Ltd. and Shandong Guohui Investment Holding Group Co., Ltd. The legal representative is Li Hang, and the registered capital is RMB1,319.1456 million. The registered address is No. 2503, Jingshi Road, Liyu District, Jinan, Shandong Province, PRC. It is mainly engaged in gold geological exploration and exploitation; purification, processing, production and sale of gold and jewelry; gold selection and refinement and technical service; refining, processing, production and sales of precious metals, non-ferrous metal products; production and sales of specialised equipment and materials for mines and construction materials.

As at the end of the Reporting Period, the controlling shareholder, the de facto controller and the ultimate beneficiary of Shandong Gold Group Co., Ltd. were Shandong SASAC, and Shandong Gold Group Co., Ltd. did not have any party acting in concert or any acting-in-concert arrangement with any entity or individual. Shandong Gold Group Co., Ltd. has reported its related parties to the Company in accordance with regulatory provisions.

As at the end of the Reporting Period, Shandong Gold Group Co., Ltd. held 80,073,468 Domestic Shares of the Company, representing 1.72% of the total share capital of the Company. Mr. Wu Chen, a Supervisor of the Company, was nominated by Shandong Gold Group Co., Ltd. During the Reporting Period, no other additional Directors or Supervisors were nominated by Shandong Gold Group Co., Ltd.

# ADDITIONAL INFORMATION DISCLOSURE REQUIRED BY REGULATORS

## Weifang Investment Group Co., Ltd.

Weifang Investment Group Co., Ltd., established in the PRC in August 1992, is a state-owned enterprise held by State-owned Assets Supervision and Administration Commission of Weifang Municipal and Shandong Caixin Assets Operation Co., Ltd. The legal representative is Zhang Liangfu, and the registered capital is RMB3 billion. The registered address is 16-18/F of Investment Building, No. 6222 Dongfeng East Street, High-tech Development Zone, Weifang. It is principally engaged in investment and asset management of various industries with the enterprise's own funds including energy, infrastructure, high – tech and manufacturing.

As at the end of the Reporting Period, the controlling shareholder, the de facto controller and the ultimate beneficiary of Weifang Investment Group Co., Ltd. were the State-owned Assets Supervision and Administration Commission of Weifang Municipal. Weifang Investment Group Co., Ltd. did not have any party acting in concert or any acting-in-concert arrangement with any entity or individual. Weifang Investment Group Co., Ltd. has reported its related parties to the Company in accordance with regulatory provisions.

At the end of the Reporting Period, Weifang Investment Co., Ltd. held 60,055,101 Domestic Shares of the Company, representing 1.29% of the total share capital of the Company. Ms. Wang Zhimei, a Supervisor of the Company, was nominated by Weifang Investment Group Co., Ltd. During the Reporting Period, no other additional Directors or Supervisors were nominated by Weifang Investment Co., Ltd.

## TABLE OF USE AND DISTRIBUTION OF TRUST ASSETS

As at 31 December 2023

Unit: RMB0'000

Use of assets	Amount	Portion (%)	Distribution of assets	Amount	Portion (%)
Currency assets	257,294.19	1.39%	Basic industry	1,069,507.52	5.76%
Loans	4,804,478.14	25.89%	Housing properties	1,769,794.18	9.54%
Tradable financial assets investment	8,931,326.67	48.13%	Securities market	5,444,035.44	29.34%
Debt investment	4,084,843.78	22.01%	Industry investment	5,146,968.01	27.74%
Long-term equity investments	140,568.37	0.76%	Financial institutions	3,750,424.02	20.21%
Others	336,731.51	1.82%	Others	1,374,513.49	7.41%
<b>Total trust assets</b>	<b>18,555,242.66</b>	<b>100.00%</b>	<b>Total trust assets</b>	<b>18,555,242.66</b>	<b>100.00%</b>

# ADDITIONAL INFORMATION DISCLOSURE REQUIRED BY REGULATORS

## COMBINED BALANCE SHEET OF TRUST PROJECTS

Prepared by: Shandong International Trust Co., Ltd.

31 December 2023

Unit: RMB0'000

Assets	Ending balance	Opening balance	Liabilities and equity	Ending balance	Opening balance
<b>Assets:</b>			<b>Liabilities:</b>		
Cash and bank deposits	234,751.20	273,233.96	Financial liabilities held for trading	–	–
Placement to banks and other financial institutions	–	–	Derivative financial liabilities	–	–
Clearing settlement funds	22,542.99	44,043.06	Disposal of repurchased financial assets	1,056,945.71	891,757.69
Financial assets held for trading	8,931,326.67	9,829,763.80	Account payable	–	–
Derivative financial assets	–	–	Redemption payables	2,564.78	686.02
Financial assets purchased under resale agreements	298,582.48	557,939.25	Trustee's remuneration payable	17,422.20	13,025.40
Account receivables	–	–	Beneficiaries' gains payable	3,286.64	7,272.44
Interest receivables	113.88	96.16	Custodian fees payable	2,214.01	1,884.19
Dividend receivables	2,237.22	3,095.25	Service fees for sales payable	264.67	71.74
Note receivables	–	–	Tax payable	7,949.27	7,144.91
Application payment receivables	–	–	Interests payable	–	–
Other receivables	30,487.60	15,223.77	Other payables	124,773.54	173,538.21
Refundable deposits	5,310.33	12.09	Other liabilities	–	–
Loans to customers	4,804,478.14	4,269,772.45	<b>Total liabilities</b>	<b>1,215,420.82</b>	<b>1,095,380.60</b>
Long-term receivables	–	–	<b>Equity:</b>		
Long-term equity investments	140,568.37	104,822.41	Paid-up trusts	17,223,460.07	19,802,977.83
Debt investment	4,084,843.78	5,849,749.91	Capital reserves	–	–
Intangible assets	–	–	Other comprehensive income	–	–
Long-term amortisation expenses	–	–	Undistributed profit	116,361.77	49,393.68
Other assets	–	–	<b>Total equity</b>	<b>17,339,821.84</b>	<b>19,852,371.51</b>
Total trust assets	18,555,242.66	20,947,752.11	<b>Total liabilities and equity</b>	<b>18,555,242.66</b>	<b>20,947,752.11</b>
<b>Total assets</b>	<b>18,555,242.66</b>	<b>20,947,752.11</b>			

# ADDITIONAL INFORMATION DISCLOSURE REQUIRED BY REGULATORS

## COMBINED STATEMENT FOR INCOME AND INCOME DISTRIBUTION OF TRUST BUSINESS

Prepared by: Shandong International Trust Co., Ltd.

Year of 2023

Unit: RMB0'000

Item	Aggregate for last year	Aggregate for this year
<b>I. Revenue</b>	660,505.12	852,175.99
Interest income	706,590.89	579,353.53
Investment income (losses indicated in "-")	88,967.25	300,280.27
Including: Income from investment in associates and joint ventures	-	-
Gains from change in fair value (losses indicated in "-")	-134,798.19	-27,854.47
Lease income	-	-
Exchange gains and losses (losses indicated in "-")	-	-
Other income	-254.83	396.66
<b>II. Expenses</b>	245,501.86	170,767.97
Tax and surcharges	2,944.00	2,821.06
Trustees' remuneration	106,890.99	71,789.89
Custodian fees	6,470.87	5,073.17
Service fees for sale	139.91	1,667.98
Transaction costs	6.89	435.56
Interest expenses	-	-
Credit impairment losses	72,546.68	3,482.66
Other expenses	56,502.52	85,497.65
<b>III. Net profit (net losses indicated in "-")</b>	415,003.26	681,408.02
<b>IV. Other comprehensive income</b>	-	-
<b>V. Comprehensive income</b>	415,003.26	681,408.02
<b>VI. Undistributed profit at the beginning of the period</b>	192,522.62	49,393.68
<b>VII. Distributed trust profit for the period</b>	558,132.20	614,439.93
<b>VIII. Undistributed profit at the end of the period</b>	49,393.68	116,361.77

# ADDITIONAL INFORMATION DISCLOSURE REQUIRED BY REGULATORS

## MANAGEMENT OF TRUST ASSETS

Amount of trust assets at the beginning of the period and at the end of the period (by individual, collective and property right)

Unit: RMB0'000

Trust scheme	Amount at the beginning of the period	Amount at the end of the period
Collective	8,935,126.52	10,940,374.85
Individual	6,104,993.98	5,490,138.84
Property right	5,907,631.57	2,124,728.97
Total	20,947,752.07	18,555,242.66

Amount of trust assets at the beginning of the period and at the end of the period (by financing, investment and administrative)

Unit: RMB0'000

Trust scheme	Amount at the beginning of the period	Amount at the end of the period
Financing	4,721,427.28	4,384,554.72
Investment	6,347,125.44	8,472,520.37
Administrative	9,879,199.39	5,698,167.57
Total	20,947,752.11	18,555,242.66

# ADDITIONAL INFORMATION DISCLOSURE REQUIRED BY REGULATORS

Collective and individual fund trust schemes and property right fund trust schemes which have been settled for the year

Unit: RMB0'000

Types of settled trust scheme	Number of scheme	Total amount of paid-up trust	Weighted average actual annualised yield rate
Collective	109	2,132,226.05	6.45%
Individual	74	977,041.11	6.36%
Property right	19	4,333,878.49	0.09%

Note: Weighted average actual annualised yield = (actual annualised yield of trust scheme 1 × total asset of trust scheme 1 + actual annualised yield of trust scheme 2 × total asset of trust scheme 2 + ... actual annualised yield of trust scheme n × total asset of trust scheme n) / (total asset of trust scheme 1 + total asset of trust scheme 2 + ... total asset of trust scheme n) × 100%

Financing, investment, and administrative management trusts scheme settled this year

Unit: RMB0'000

Types of settled trust scheme	Number of scheme	Total amount of paid-up trust	Weighted average actual annualised return rate	Weighted average actual annualised yield rate
Financing	96	2,054,906.88	1.45%	6.66%
Investment	39	90,265.92	0.27%	1.93%
Administrative	67	5,297,972.85	0.05%	1.36%

# ADDITIONAL INFORMATION DISCLOSURE REQUIRED BY REGULATORS

Number of schemes and total amount of newly-added paid-in trusts of collective, individual and property management trust schemes for the year

Unit: RMB0'000

Newly-added trust scheme	Number of scheme	Total amount of paid-up trust
Collective	302	3,465,363.40
Individual	312	1,221,025.72
Property right	12	543,625.80
<b>Total of newly-added scheme</b>	626	5,230,014.92
Including: Actively managed	264	3,038,794.40
Passively managed	362	2,191,220.52

Trust assets and connected parties: aggregate amount of loans, financial assets held for trading, debt investment and others at the beginning of the period, for the period and at the end of the period

Unit: RMB0'000

	Connected transactions between trust and connected parties			Amount at the end of the period
	Amount at the beginning of the period	Amount from borrowers	Amount from lenders	
Loans	61,049.66		5,846.75	55,202.91
Financial assets held for trading	12,284.27	62,470.62		74,754.89
Debt investment	72,091.63		55,603.91	16,487.72
Other debt investments				
Other equity instrument				
Long-term equity investments		7,404.51		7,404.51
Leasing				
Assets purchased under agreements to resell				
Interbank borrowings institutions				
Others	-			
<b>Total</b>	145,425.56	69,875.13	61,450.66	153,850.03

# ADDITIONAL INFORMATION DISCLOSURE REQUIRED BY REGULATORS

Aggregate amount of the transaction between proprietary properties and trust properties at the beginning of the period, for the period and at the end of the period

Unit: RMB0'000

Item	Transactions between proprietary properties and trust properties		
	Amount at the beginning of the period	Amount for the period	Amount at the end of the period
Total	241,080.68	118,636.42	359,717.10

Aggregate amount of the transaction between trust assets at the beginning of the period, for the period and at the end of the period

Unit: RMB0'000

Item	Transactions between trust assets and trust properties		
	Amount at the beginning of the period	Amount for the period	Amount at the end of the period
Total	363,856.06	678,661.81	1,042,517.87

# DEFINITIONS

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

“Articles of Association”	Articles of Association of the Company (as amended from time to time)
“Audit Committee”	the audit committee under the Board of Directors
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“CASBE”	China Accounting Standards for Business Enterprises
“Board” or “Board of Directors”	the board of Directors of the Company
“Board of Supervisors”	the board of Supervisors of the Company
“Former CBRC” or “Former CBIRC”	the Former China Banking and Insurance Regulatory Commission (原中國銀行保險監督管理委員) or the former China Banking Regulatory Commission and/or the former China Insurance Regulatory Commission, replaced by the NFRA since May 2023 (as the context requires)
“China” or “PRC”	the People’s Republic of China, but for the purpose of this annual report and for geographical reference only and except where the context requires, references in this annual report to “China” and the “PRC” do not include, Hong Kong, Macau and Taiwan
“China Petroleum Finance”	China Petroleum Finance Company Limited (中油財務有限責任公司)
“CNPC”	China National Petroleum Corporation (中國石油天然氣集團公司)
“CNPC Assets Management”	CNPC Assets Management Co., Ltd. (中油資產管理有限公司)
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“CSRC”	China Securities Regulatory Commission
“Director(s)”	director(s) of the Company
“Domestic Share(s)”	ordinary share(s) issued by the Company with a nominal value of RMB1.00 each, which are subscribed for or credited as paid up in Renminbi

# DEFINITIONS

“Group”	the Company and the trust schemes over which it has control
“H Share(s)”	overseas listed foreign share(s) in the ordinary share capital of the Company with a nominal value of RMB1.00 each, which are subscribed for and traded in Hong Kong dollars and listed on the Hong Kong Stock Exchange
“HK\$” or “Hong Kong dollars”	the lawful currency of Hong Kong
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Independent Shareholders”	Shareholders who are not required to abstain from voting at the general meeting
“IFRS”	International Financial Reporting Standards
“Jinan Finance Holding”	Jinan Finance Investment Holding Group Co., Ltd. (濟南金投控股集團有限公司)
“Kunlun Trust”	Kunlun Trust Co., Ltd.
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Lucion Group”	Shandong Lucion Investment Holdings Group Co., Ltd. (山東省魯信投資控股集團有限公司)
“Macau”	the Macau Special Administrative Region of the PRC
“MOF”	Ministry of Finance of the PRC (中華人民共和國財政部)
“NFRA”	the National Financial Regulatory Administration (國家金融監督管理總局)
“Nomination and Remuneration Committee”	the nomination and remuneration committee under the Board of Directors
“PBOC”	the People’s Bank of China (中國人民銀行), the central bank of the PRC
“PRC Company Law”	the Company Law of the People’s Republic of China (《中華人民共和國公司法》), as amended, supplemented or otherwise modified from time to time
“Procedural Rules for the Board of Directors”	the procedural rules for the Board of Directors adopted by the Company, as amended from time to time
“Procedural Rules for the Board of Supervisors”	the procedural rules for the Board of Supervisors adopted by the Company, as amended from time to time
“Procedural Rules for the General Meeting”	the procedural rules for the general meeting adopted by the Company, as amended from time to time
“Related Party Transaction Control Committee”	the related party transaction control committee under the Board of Directors
“Reporting Period”	the period from 1 January 2023 to 31 December 2023
“RMB” or “Renminbi”	the lawful currency of the PRC

# DEFINITIONS

“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented from time to time or otherwise revised
“Shandong AMC”	Shandong Financial Asset Management Co., Ltd. (山東省金融資產管理股份有限公司)
“Shandong High-Tech”	Shandong High-Tech Venture Capital Co., Ltd. (山東省高新技術創業投資有限公司)
“Former Shandong Office of CBIRC”	the Former Shandong Office of CBIRC (原中國銀保監會山東監管局)
“Shandong Trust”, “SITC”, “Company”, “we” or “us”	Shandong International Trust Co., Ltd. (山東省國際信託股份有限公司), established in the PRC on 10 March 1987 and converted into a joint stock company with limited liability under the Company Law of the People’s Republic of China on 30 July 2015, except where the context otherwise requires, the trust schemes over which it has control
“Shareholder(s)”	holder(s) of our shares
“Substantial Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“State”	the central government of the PRC, including all governmental subdivisions (including provincial, municipal and other regional or local government entities) and its organs or, as the content requires, any of them
“Strategies and Risk Management Committee”	the strategies and risk management committee under the Board of Directors
“Supervisor(s)”	supervisor(s) of the Company
“Trust and Consumer Rights Protection Committee”	the trust and consumer rights protection committee under the Board of Directors

# GLOSSARY OF TECHNICAL TERMS

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

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

# LUCION

**山東省國際信託股份有限公司**  
Shandong International Trust Co., Ltd.



Wechat Official  
Account of SITC



SITC APP