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# LUCION

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

**山東省國際信託股份有限公司**

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

**(Stock Code: 1697)**

## **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2022**

The board of directors (the “**Board of Directors**”) of Shandong International Trust Co., Ltd. (the “**Company**”) is pleased to announce the unaudited consolidated results of the Company for the six months ended 30 June 2022 (the “**Reporting Period**”). The content of this interim results announcement has been prepared in accordance with applicable disclosure requirements under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) in relation to preliminary announcements of interim results and the International Financial Reporting Standards (the “**IFRSs**”) promulgated by the International Accounting Standards Board. Such interim results have also been reviewed and confirmed by the Board of Directors and the audit committee of the Board of Directors (the “**Audit Committee**”). Unless otherwise stated, financial data of the Company are presented in Renminbi.

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

## 1. BASIC CORPORATE INFORMATION

### 1.1 Basic Information

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

### 1.2 Contact Person and Contact Details

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

## 2. SUMMARY OF FINANCIAL DATA

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

		<b>Six months ended 30 June</b>	
	<i>Notes</i>	<b>2022</b>	2021
		<i>(RMB in thousands)</i>	
Fee and commission income	5	<b>519,484</b>	488,446
Interest income	6	<b>37,600</b>	442,397
Net changes in fair value on financial assets at fair value through profit or loss (“FVTPL”) and investments in associates measured at fair value	7	<b>35,869</b>	(135,419)
Investment income	8	<b>36,664</b>	170,696
Net gains on disposal of investments in associates		–	41,196
Other operating income		<b>1,680</b>	2,985
<b>Total operating income</b>		<b>631,297</b>	1,010,301
<b>Total operating expenses</b>		<b>(1,518,416)</b>	(784,604)
Share of results of investments in the associates accounted for using the equity accounting method		<b>191,254</b>	239,626
<b>(Loss)/profit before income tax</b>		<b>(695,865)</b>	465,323
Income tax credit/(expense)	12	<b>221,594</b>	(64,381)
<b>Net (loss)/profit attributable to shareholders of the Company</b>		<b>(474,271)</b>	400,942

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

	As at 30 June 2022	As at 31 December 2021 (Audited)
	<i>(RMB in thousands)</i>	
Total current assets	6,826,177	5,509,578
Total current liabilities	8,013,121	7,814,849
Total non-current assets	11,636,885	13,552,969
Total non-current liabilities	276,193	596,480
<b>Total assets</b>	<b>18,463,062</b>	<b>19,062,547</b>
<b>Total liabilities</b>	<b>8,289,314</b>	<b>8,411,329</b>
<b>Total equity</b>	<b>10,173,748</b>	<b>10,651,218</b>

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

	<i>Note</i>	Six months ended 30 June	
		2022	2021
		<i>(RMB in thousands)</i>	
Net cash used in operating activities		(4,466,854)	(1,297,222)
Net cash generated from			
investing activities		2,732,418	236,637
Net cash generated from			
financing activities		333,938	1,467,525
Effect of exchange rate changes			
on cash and cash equivalents		-	(68)
Net (decrease)/increase in cash and cash equivalents		(1,400,498)	406,872
<b>Cash and cash equivalents at the beginning of the period</b>		<b>1,586,596</b>	<b>969,535</b>
<b>Cash and cash equivalents at the end of the period</b>	17	<b>186,098</b>	<b>1,376,407</b>

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

#### **3.1 Environment Review**

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

China's financial industry conscientiously implemented the decisions and deployments of the Party Central Committee, the State Council and regulatory departments, closely focused on the three tasks of serving the real economy, prevented and controlled financial risks and deepening financial reform. In accordance with the requirements of "preventing the COVID-19 outbreak, stabilising the economy, and realising development security", the industry took the initiative to strive forward with the general tone of seeking improvement in stability, and resolutely supported the stabilisation of the economic market for effective prevention and control on financial risks. New achievements were made in all aspects of work by continuous in-depth financial reform and practical improvement in financial services.

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

### **3.2 Business Overview**

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

In the first half of 2022, China’s macro-economy faced pressures from the three aspects of “shrinking demand, supply impact, and weakening expectations”, coupled with the impact of pandemic resurgence in China, the conflict between Russia and Ukraine and the interest rate hike by the US Federal Reserve, further aggravating the downward pressure on the economy. Under the complex and changing external environment, SITC adhered to the general tone of striving for progress while maintaining stability, promoted the transformation with reform, made every effort to carry out the annual key work, carried out three institutional reforms in a deep-going way, continued to improve the national business and wealth network layout, sped up the transformation of wealth management, strengthened the disposal of risk projects, continuously implemented the construction of trust culture, and generally maintained the development trend of stabilising and making progress in the midst of difficulties.

Firstly, the Company focused on the transformation and innovation of the main business, and the business structure continued to be optimised. The Company grasped the development opportunity of a standard business, and took initiative in active management business to further improve whole product lines of active management business. The sizes of “Suixin Wenli”, “Taishanbao”, “Shandong Construction and Development Fund” and other net worth products were increasing continuously. The existing scale of standard business exceeded RMB56.0 billion as at the end of June 2022, which became the largest business category of the Company. The Company vigorously developed institutional business and actively launched customised non-standard business for institutions; deepened cooperation with banks, bank financial subsidiaries, securities companies, insurance companies, futures firms and other financial institutions, and strove to build an all-round and in-depth interbank cooperation system. The Company vigorously expanded investment-loan linkage and equity-debt combination businesses, and continued to improve the income generating capacity of traditional businesses. While consolidating the leading advantages of its original businesses, the Company constantly improved its professional service level. The Company focused on promoting the development of family trust and other service trust businesses based on account management. As at the end of June 2022, the cumulative contract amount was RMB23.389 billion, continuing to secure a leading position in the industry. We made solid and steady use of property funds, actively carried out diversified investment, continuously optimised asset allocation, actively cultivated new engines for business transformation, and continuously improved the synergy with trust business.

Secondly, the Company strengthened the transformation of wealth management and optimised the channel construction. It further promoted the transformation of wealth management, continuously strengthened the construction of independent marketing system. In the first half of 2022, the scale of independent marketing amounted to RMB16.344 billion, with a year-on-year increase of 143% against the downward cycle of the industry, which effectively guaranteed the product issuance. The Company gave full play to its core license advantage for account management and actively carried out special account financing business, catering to the individual financing needs of institutional customers with tailor-made financial services. While the continuous optimisation of the financial planner team and regular internal training on wealth management enhanced the customer service capabilities, the Company, taking WeChat official account and APP as the main advertising platform, carried out a variety of “online + offline” public welfare advocacy on promoting the protection of consumers’ rights and interests, regularly organised financial knowledge presentation activities in communities and enterprises, and continuously enhanced the effectiveness of education on investors.

Thirdly, the Company kept advancing the reform of the institutional mechanism and strengthened the endogenous power of transformation and development. The Company's organisational structure with "business division + department system" as the core operated steadily, and the transformation and development capability of the middle and back-end office service business was effectively improved. The reform of the mechanism saw preliminary results. The Company actively promoted the reform of the salary assessment system, vigorously introduced more professionals, practically implemented the three reform goals of "employment or dismissal, promotion or demotion, and salary increment or decrement" and improved a market-oriented management mechanism integrating "strong incentives and hard constraints", so as to stimulate a corporate atmosphere with healthy competition and steady development.

Fourthly, the Company sped up the construction of financial science and technology, and enabled the innovation and upgrading of management. It promoted the application of new unified technology platform in the middle office of business to improve the operation management capability and business demand delivery efficiency, and continued to promote the optimisation and upgrading of the functions of wealth APP, realise the mobile exhibition industry of family trust, strengthen operational support, and improve interactive experience. Focusing on supporting business transformation, the Company accelerated the construction of standard asset management system, asset securitisation system and family trust system. Moreover, it advanced the construction of the new master data centre of SITC, and promoted the realisation of platform, components and cloud service for infrastructure, with a view to meeting the requirements of business continuity and future business expansion.

Fifthly, the Company continuously strengthened the construction of internal control and compliance and continued to increase the level of risks management. The Company constantly improved the capital market business, wealth management, risk management and other systems, and built a solid foundation for internal control and compliance management; strictly grasped the project access and further controlled the concentration risk; timely resolved potential risks by means of project oversight, and intensified the disposal of existing risk projects for the continuous liquidation of non-performing assets. The Company earnestly implemented anti-money laundering and anti-terrorist financing, and actively boosted the construction of the anti-money laundering system. The Company adhered to the position of being a trustee, vigorously carried forward the trust culture, deeply carried out the construction of trust culture, and formulated and implemented the activity plan of "the Year of Trust Culture Establishment".

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

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

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

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

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

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

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

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

### *Classification of Trusts*

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

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

- (1) **Financing trusts:** Through financing trusts, the Company mainly provides private equity investment banking services to various types of enterprises and institutions in China, and offers flexible and diversified financing plans.
- (2) **Investment trusts:** With investment trusts, the Company provides asset and wealth management services to institutional investors and high-net-worth individuals ("HNWIs") to satisfy their investment needs. The rapid accumulation of wealth in the PRC has resulted in diversified demands for various forms of investment. As the traditional asset management industry in the PRC is dominated by securities investment fund companies and securities firms, which mainly invest in standardised financial products in capital markets, such as the money market, publicly traded stocks and bonds, the Company believes the flexibility of trusts and the business scope of the trust license enables the Company to offer financial products with unique value to institutional investors and HNWIs.

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

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

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

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

	<b>Six months ended 30 June</b>			
	<b>2022</b>		<b>2021</b>	
	<b>Revenue</b>	<b>%</b>	Revenue	%
	<i>(Revenue: RMB in millions)</i>			
Financing trusts	<b>168</b>	<b>32.37</b>	345	70.70
Investment trusts	<b>113</b>	<b>21.77</b>	57	11.68
Administrative management trusts	<b>238</b>	<b>45.86</b>	86	17.62
<b>Total</b>	<b><u>519</u></b>	<b><u>100.00</u></b>	<b><u>488</u></b>	<b><u>100.00</u></b>

#### *Trust Business Segmentation*

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

#### *Real Estate Trusts*

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

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

As at 30 June 2022, the Company had 24 existing equity investment projects (including “equity + debt” projects), of which the total scale of pure equity investment was RMB955 million. The Company will actively respond to the national macro policies, actively comply with the regulatory guidance, scientifically study and judge the market situation, vigorously support the construction of long-term rental housing and affordable housing, and continue to serve the reasonable inelastic and improving housing needs of residents.

### Capital Market Trusts

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

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

As at 30 June 2022, the size of the Company's existing capital market business exceeded RMB56.0 billion. With the establishment of the Science and Technology Innovation Board, the Beijing Stock Exchange and the implementation of capital market deepening reform measures such as the comprehensive implementation of the stock issuance and registration system, the construction of China's multi-level capital market has been improved day by day, which provides a broad development platform and market space for trust companies to vigorously expand this kind of business.

### Family Trusts

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

Family trust is not only an important form for trust companies to return to their origin, but also a strategic business that SITC has adhered to and focused on for a long time. In recent years, the Company has continued to promote business model innovation, developed and implemented innovative service models such as equity family trust, insurance trust, family charity trust and education fund trust, and continuously met the personalised, diversified and customised service needs of customers. The Company actively expands financial industry cooperation, internal and external linkage, improves customer service ability, and actively constructs a service ecosystem. At present, the Company has established strategic cooperative relations with large state-owned commercial banks and national joint-stock commercial banks, and actively expanded cooperation with leading securities companies and insurance companies. At the same time, the Company attaches great importance to the application of financial technology in the field of family trust business, develops and launches the family trust comprehensive management platform system and client, and implements online management of the full process of family trust customers such as online application, automatic information identification, online signing and online asset search.

As at 30 June 2022, the Company had established 1,329 family trusts, with an existing scale of RMB23.389 billion, which has always been in the forefront of the industry in recent years. In the first half of 2022, the Company's family trust was awarded the "Gold Honour Award" and "2021 Chinese Family Office top 30" at the annual summit of China's asset management and wealth management industry. China's middle-class group is expanding gradually, and the number of high-net-worth clients is growing steadily. With the gradual improvement of supporting legal system and tax system, as the only financial instrument endowed by laws and regulations with many core functions such as asset isolation, protection, inheritance and wealth management, the functionality and importance of family trust are being known and recognised by more HNWI's, and the development prospect and market space of family trust are broad.

#### *Industrial and Commercial Enterprises Trusts*

Industrial and commercial enterprises trust refers to the business that the trust company, as the trustee, accepts the trust property of the trustor in the form of single or collective trust, and applies the trust capitals to industrial and commercial enterprises such as production, service and trade enterprises according to the wishes of the trustor to manage, apply and dispose of the trust property. Industrial and commercial enterprises trust can solve the capital needs of enterprises in the process of operation, such as liquidity capital needs, M&A capital needs, etc. Industrial and commercial enterprises trust is an important business for trust companies to comply with the guidance of national policies and guide social funds to invest in the real economy. It can meet the capital needs of enterprises through equity, creditor's rights, stock debt linkage, industrial funds and other ways. As at 30 June 2022, the existing industrial and commercial enterprises trust scale of SITC was RMB18.857 billion, and the counterparties were mainly central enterprises and state-owned enterprises with strong strength and high credit rating. Under the background of global outbreak, unsmooth circulation of industrial chain and supply chain, rising commodity prices and new downward pressure on the economy, SITC will actively respond to the national call, flexibly use trust instruments, and increase its support to the real economy, especially small and medium-sized and micro enterprises, scientific and technological innovation, green development, "specialised and innovative" enterprises, industries with regional characteristics and advantages, and ecological protection in the Yellow River Basin, so as to help enhance the core competitiveness of manufacturing industry and regional economic development.

### Infrastructure Trusts

Infrastructure trust refers to a business in which a trust company, as a trustee, accepts the trustor's funds in the form of single or collective trust, and uses the trust funds for infrastructure projects such as transportation, communication, energy, municipal administration and environmental protection, and carries out management, application or disposal. The industries involved in infrastructure trust mainly include electric power, water conservancy, road traffic, municipal engineering, etc. Trust companies can provide financial support for infrastructure projects through loans, account receivables and asset securitisation. Infrastructure trust usually takes business operation income and government financial investment as repayment sources. As at 30 June 2022, the Company's existing infrastructure trust amounted to RMB11.226 billion, and its counterparties were mainly state-owned enterprises.

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

### Consumer Finance Trusts

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

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

As at 30 June 2022, the Company had established consumer finance trusts totalling RMB7.452 billion, with an existing scale of RMB4.141 billion, providing consumption financial services to 2.6630 million natural persons in aggregate and established long-term and stable cooperative relations with many well-known and stable platforms with high credit rating in the industry. With the introduction of normative documents in the consumer finance industry, the business rules and business model of consumer finance have become clearer, which has laid a solid institutional foundation and provided broad development space for trust companies to standardise and steadily carry out consumer finance business.

### Asset Securitisation Trusts

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

As at 30 June 2022, SITC, as the initiator and trustee of asset-backed securities, had set up 4 asset-backed securities projects with a cumulative scale of RMB8.702 billion, involving ABN, CMBS, CMBN, etc. During the business process, the Company has established good cooperative relationship with financial institutions including large securities companies, large commercial banks and many high-quality state-owned enterprises, and accumulated experience in the screening and construction of underlying assets, asset transfer, information disclosure and trust affairs management. In the future, the Company will continuously improve its capabilities in asset pool construction, product structure design and pricing, and actively extend to underwriting, investment and other fields.

### Charitable Trusts

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

In recent years, the Company has actively carried out charitable trust business, and has initially established a business model of cooperation with family trusts. As at 30 June 2022, the Company had established a total of 12 standardised charitable trusts with an existing scale of approximately RMB76.2941 million. The Company has utilised a total of RMB10.2082 million of trust funds in accordance with trustors' intentions for the benefit of 5,361 direct beneficiaries. The charitable projects spread all over Shandong, Fujian, Jiangsu, Yunnan and other provinces and cities, which strongly promoted the development of public welfare undertakings such as providing financial aid to students, offering financial help to the poor and alleviating poverty. The development of poverty alleviation and other public welfare undertakings has effectively met the needs of customers, social organisations and government departments in public welfare and charity and social service. It was awarded the "China Financial Brand Summit and Financial Corporate Social Responsibility Conference-Top Ten Social Responsibility Projects of the Year" in 2021, the 14th "Integrity Trust" Best Charity Trust Product Award and the 2022 "Gold Award – Outstanding Charity Trust Product Award". In 2022, the Company set up a new "Datong No.10 Charity Trust" featuring active management, self-management, online fund-raising and extensive participation, and driving more forces to participate in charity.

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

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

In the first half of 2022, in order to reasonably optimise the allocation of its own funds and improve the operational standard of its own funds, the Company insisted on the strategy of combining long-term, mid-term and short-term assets, and made reliable investments with its own funds. Firstly, the Company fully utilised the synergy between the proprietary business and the trust business, and provided great support for standardised products and the transformation and innovation of the “equity + debt” trust business so as to assist the transformation and development of the Company’s business. Secondly, the Company focused on the optimisation of financial indicators, commenced the transfer of Equity Interest in Fullgoal Fund. so as to acquire liquidity and enhance risk resistance, further focused on the main business of trust and served the transformation and development of the Company. Thirdly, the Company further optimised the asset structure, actively dealt with inefficient assets, and improved the quality of proprietary assets. Fourthly, with safety and liquidity being assured, diversified investment and efficient use of liquidity capital for short-term operations such as government bonds purchased under agreements to resell, investment in monetary fund and cash management trust schemes were actively carried out to improve capital utilisation efficiency. The Company recorded segment income of RMB302.1 million from its proprietary business in the first half of 2022, representing a year-on-year decrease of 60.3%, mainly due to the decrease in interest income from RMB441.9 million in the first half of 2021 to RMB36.6 million in the first half of 2022.

### *Allocation of Proprietary Assets*

Pursuant to the *Administrative Measures on Trust Companies* (《信託公司管理辦法》) issued by China Banking Regulatory Commission (the “**CBRC**”, the predecessor of 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 shares and mutual funds, as well as wealth management products. The Company keeps a reasonable amount of its proprietary assets in highly liquid form, such as deposits at banks and other financial institutions and government bonds in order to maintain the Company’s liquidity and satisfy capital requirement for the expansion of its trust business.

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

	<b>30 June 2022</b>	31 December 2021 (Audited)
	<i>(RMB in thousands)</i>	
<b>Investments in monetary assets</b>	<b>1,141,295</b>	2,045,734
Cash at banks	<b>31,634</b>	77,253
Other monetary assets	<b>29,637</b>	1,299,674
Government bonds purchased under agreements to resell	<b>1,080,024</b>	668,807
<b>Securities Investments</b>	<b>9,889,125</b>	7,058,604
<i>Investment in equity products</i>	<b>1,402,944</b>	944,559
Listed shares classified as:		
– financial assets at FVTPL	<b>10,951</b>	7,809
Subtotal	<b>10,951</b>	7,809
Mutual funds classified as:		
– financial assets at FVTPL	<b>1,391,993</b>	936,750
Subtotal	<b>1,391,993</b>	936,750
<i>Investment in wealth management products</i>		
Investments in consolidated trust schemes	<b>2,817,492</b>	4,817,676
Investment in unconsolidated trust schemes classified as financial assets at FVTPL	<b>407,869</b>	213,994
Investment in unconsolidated trust schemes classified as financial investments		
– amortised cost	<b>183,354</b>	–
Other financial investment classified as financial investments		
– amortised cost	<b>4,848,619</b>	887,634
Asset management products	<b>228,847</b>	194,741

	<b>30 June 2022</b>	31 December 2021 (Audited)
	<i>(RMB in thousands)</i>	
<b>Long-Term Equity Investments</b>	<b>2,211,506</b>	2,245,272
Investment accounted for using the equity method	<b>1,660,308</b>	1,705,702
Investment classified as financial assets at FVTPL	<b>551,198</b>	539,570
<b>Proprietary Loans</b>	<b>1,000,000</b>	1,687,504
<b>Trust Industry Protection Fund</b>	<b>108,895</b>	104,500
<b>Total</b>	<b><u>14,350,821</u></b>	<b><u>13,141,614</u></b>

#### *Monetary Assets*

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

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

**Six months ended 30 June**  
**2022**                      2021  
*(RMB in thousands)*

<b>Interest income generated from:</b>		
– Cash at banks	<b>539</b>	3,201
– Government bonds purchased under agreements to resell	<b>10,294</b>	10,411
	<b>10,294</b>	10,411
<b>Total</b>	<b>10,833</b>	13,612

Average investment return of the Company’s monetary assets (calculated as the total of investment income (in terms of interest income received), annualised as a percentage of average investment balance in such monetary assets, where appropriate) was 3.7% and 1.4% for the six months ended 30 June 2021 and for the six months ended 30 June 2022, respectively.

*Securities Investments*

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

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

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

*Note:*

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

The Company contemporaneously adjusted the allocation of its proprietary assets in securities investment according to market conditions. During the Reporting Period, the average balance of the Company's investments in equity products increased by 42.0% from RMB826.7 million in 2021 to RMB1,173.8 million in the first half of 2022; the average balance of investments in trust schemes decreased by 17.8% from RMB5,134.4 million in 2021 to RMB4,220.2 million in the first half of 2022; the average balance of the financial investments – amortised cost increased by 546.2% from RMB443.8 million in 2021 to RMB2,868.1 million in the first half of 2022; and the average balance of investments in asset management products increased by 42.4% from RMB148.7 million in 2021 to RMB211.8 million in the first half of 2022.

## *Long-Term Equity Investments*

The Company made strategic long-term investments in a number of financial institutions, which helped the Company establish stronger business relationships with these financial institutions and created synergies for its business operations. The following table sets forth the major equity investments of the Company in financial institutions as at 30 June 2022, including their main businesses, the Company's proportionate equity interests in them, whether the Company held any board seats, the date of the Company's first investment, and the relevant accounting treatment of each investment.

Name	Main business	Equity interest as at 30 June 2022	Board seat	First investment date	Accounting treatment
Sinotruk Auto Finance Co., Ltd.	Automobile financing	6.52%	Yes	September 2015	Investments accounted for using the equity method
Fullgoal Fund Management Co., Ltd. <sup>(1)</sup>	Management of securities investment funds	16.68%	Yes	April 1999	Investments accounted for using the equity method
Taishan Property & Casualty Insurance Co., Ltd.	Insurance products and services	7.40%	Yes	December 2010	Investments accounted for using the equity method
Dezhou Bank Co., Ltd.	Commercial banking	2.37%	Yes	November 2009	Investments accounted for using the equity method
Minsheng Securities Co., Ltd.	Securities brokerage, securities asset management and proprietary investment	1.16%	No	January 1999	Financial assets at FVTPL

### *Note:*

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

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

	<b>30 June 2022</b>	31 December 2021 (Audited)
	<i>(RMB in thousands)</i>	
<b>Long-term equity investments, accounted for:</b>		
– As associate using the equity method	<b>1,660,308</b>	1,705,702
– Investment categorised as financial assets at FVTPL	<b>551,198</b>	539,570
<b>Total</b>	<b><u>2,211,506</u></b>	<b><u>2,245,272</u></b>
	<b>Six months ended 30 June</b>	
	<b>2022</b>	2021
	<i>(RMB in thousands)</i>	
<b>Dividend income generated from:</b>		
– As associate using the equity method	<b>233,450</b>	120,394
– Investment categorised as financial assets at FVTPL	<b>4,251</b>	5,071
<b>Total</b>	<b><u>237,701</u></b>	<b><u>125,465</u></b>

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

#### *Proprietary Loans*

While the Company is allowed to grant proprietary loans to its customers, it does not engage in such business on a regular basis. As at 31 December 2021 and 30 June 2022, the outstanding balance of the Company's proprietary loans were RMB1,687.5 million and RMB1,000.0 million, respectively. During the Reporting Period, the Company entered into a transfer agreement for the proprietary loan (i.e. Ruiyuan No. 76 Debt) and carried it forward to assets classified as held for sale during the Reporting Period.

#### *Trust Industry Protection Fund*

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

### 3.3 Financial Overview

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

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

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

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

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

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

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

#### *Fee and Commission Income*

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

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

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

*Interest Income*

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

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

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

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

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

### *Investment Income*

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

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

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

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

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

### **3.3.3 Total Operating Expenses**

#### *Interest Expenses*

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

The Group's interest expenses in the first half of 2022 were RMB58.6 million, representing a decrease of 80.5% as compared to RMB300.5 million in the first half of 2021, primarily due to a decrease in expected returns attributable to third-party beneficiaries of the Group's consolidated financing trust schemes (after offsetting the impairment losses attributable to such third-party beneficiaries), partially offset by the increase in interest expenses on borrowings from China Trust Protection Fund Co., Ltd.

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

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

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

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

*Impairment losses on financial assets, net of reversal*

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

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

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

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

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

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

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

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

*Note:*

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

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

*Income Tax Credit/(Expense)*

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

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

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

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

*Note:*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The segment profit before income tax for the Group's proprietary business changed from RMB88.1 million in the first half of 2021 to RMB1,075.9 million of loss in the first half of 2022, primarily due to a decrease of 60.3% in the segment income from the proprietary business from RMB761.0 million in the first half of 2021 to RMB302.1 million in the first half of 2022, and an increase of 104.8% in the segment operating expenses from the proprietary business from RMB672.9 million in the first half of 2021 to RMB1,378.0 million in the first half of 2022.

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

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

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

## *Assets*

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

Loans to Customers

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

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

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

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

Some of the loans granted by the Group's trust schemes to which it made proprietary investment and consolidated into the Group's financial statements were identified as impaired during the Reporting Period. The gross amount of such impaired loans decreased by 15.5% from RMB9,789.2 million as at 31 December 2021 to RMB8,274.9 million as at 30 June 2022. The aggregate fair value of collateral (estimated based on the latest external valuations available and adjusted by the experience of realisation of the collateral in current market conditions) for such loans outstanding as at 31 December 2021 and 30 June 2022 were RMB7,926.1 million and RMB6,503.9 million, respectively. The Group determined the provision for impairment losses on those loans through expected credit losses assessments and made allowance for impairment of RMB1,986.2 million and RMB2,165.4 million for these impaired loans as at 31 December 2021 and 30 June 2022, respectively, representing 20.3% and 26.2% of the gross amount of those loans, respectively. The Group has provided impairment allowances as such impairment allowances were provided in accordance with the provisions under IFRS 9 "Financial Instruments". Such impairment allowances were measured by the difference between the carrying amount of those impaired loans and the present value of estimated future cash flows of those loans, and in particular, the disposal proceeds after deduction of expenses attributable to such disposals as at each of the respective balance sheet dates. The gross amount of such impaired loans represented 85.9% and 93.3% of the Group's gross loans to customers as at 31 December 2021 and 30 June 2022, respectively.

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

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

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

### Financial Investments – Amortised Cost

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

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

### Investments in Associates

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

	<b>Equity</b>		
	<b>Interest as at</b>	<b>30 June</b>	31 December
	<b>30 June 2022</b>	<b>2022</b>	2021
			(Audited)
			<i>(RMB in thousands)</i>
<b>Associates of the Company, measured at equity accounting method:</b>			
Fullgoal Fund Management Co., Ltd. <sup>(1)</sup> (富國基金管理有限公司)		-	1,174,603
Taishan Property & Casualty Insurance Co., Ltd. (泰山財產保險股份有限公司)	7.40%	188,919	199,435
Sinotruk Automobile Finance Co., Ltd. (重汽汽車金融有限公司)	6.52%	213,657	209,241
Dezhou Bank Co., Ltd. (德州銀行股份有限公司)	2.37%	123,310	119,333
Anhui Luxin Equity Investment Fund Management Co., Ltd. (安徽魯信股權投資基金管理 有限公司)	25.00%	2,696	3,090
		<u>528,582</u>	<u>1,705,702</u>
<b>Gross amount</b>		<b>528,582</b>	1,705,702
Less: Impairment		-	-
		<u>528,582</u>	<u>1,705,702</u>
<b>Subtotal</b>			
		<b>528,582</b>	<b>1,705,702</b>
<b>Associates indirectly held by the Group through consolidated structured entities, measured at equity accounting method:</b>			
Others		19,142	19,284
		<u>19,142</u>	<u>19,284</u>
<b>Gross amount</b>		<b>19,142</b>	19,284
Less: Impairment		(2,000)	(2,000)
		<u>(2,000)</u>	<u>(2,000)</u>
		<u>17,142</u>	<u>17,284</u>
<b>Subtotal</b>		<b>17,142</b>	<b>17,284</b>

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

*Note:*

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

### Financial Assets at FVTPL

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

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

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

### Trustee's Remuneration Receivable

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

Trustee's remuneration receivable of the Group decreased by 4.6% from RMB200.1 million on 31 December 2021 to RMB190.8 million on 30 June 2022. The Company, as the trustee, has closely monitored the trust accounts of its unconsolidated trust schemes, and the Company is usually allowed to collect its trustee's remuneration in arrears in one or more instalments according to the Company's trust contracts. The Company is normally allowed only to receive trustee's remuneration after the trust has paid its quarterly dividends, and the Company expects to continue to have certain amount of trustee's remuneration receivable in the future. As at 31 July 2022, 15.6% of the trustee's remuneration receivable was recovered.

#### *Financial Assets Purchased under Resale Agreements*

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

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

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

Pursuant to the Measures for the Administration of Trust Industry Protection Fund (《信託業保障基金管理辦法》) issued by the CBRC in December 2014, counterparty clients of the Company's financing trusts should make contributions to the Trust Industry Protection Fund and the Company should collect the required contribution funds from its counterparty clients and pay to the Trust Industry Protection Fund on behalf of the counterparty clients. Upon liquidation of a financing trust, the Trust Industry Protection Fund will return the Company the contribution funds and any accrued interests and the Company then distributes them to the counterparty clients. From time to time, however, the Company may agree to pay such contribution funds on behalf of its counterparty clients, and in such circumstances, the Company will be entitled to keep the contribution funds and any accrued interests when they are returned to it by the Trust Industry Protection Fund upon liquidation of the relevant financing trusts. The Company adopts such practice in order to avoid any unnecessary payment transactions between itself and its counterparty clients and to provide better services. The Company will not be subject to the credit risk of its counterparty clients as a result of such practice because the contribution funds will be returned to the Company by the Trust Industry Protection Fund upon liquidation of the financing trusts.

The Company recorded the amounts of contribution funds it has paid on behalf of its counterparty clients as contribution to the Trust Industry Protection Fund due from its counterparty clients, which amounted to RMB11.6 million and RMB10.2 million as at 31 December 2021 and 30 June 2022, respectively, among which RMB8.9 million and RMB10.2 million were classified as non-current assets. Instead of collecting such amounts from the counterparty clients before the liquidation of the financing trusts, the Company recovers such amounts from distributions to be made by the Trust Industry Protection Fund upon termination of the financing trusts. At the end of the Reporting Period, the Company has not encountered any difficulties in recovering such amounts from distributions made by the Trust Industry Protection Fund upon termination of the Company's financing trusts.

### Assets Classified as Held for Sale

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

### *Liabilities*

As at 31 December 2021 and 30 June 2022, the Group's total liabilities amounted to RMB8,411.3 million and RMB8,289.3 million, respectively. As a trust company in the PRC, the Company is not allowed to incur any debt in operating its business other than through inter-bank borrowings or otherwise allowed by the CBIRC. The Group's major liabilities during the Reporting Period included net assets attributable to other beneficiaries of consolidated structured entities (both current and non-current portions), short-term borrowings, salary and welfare payable (both current and non-current portions) and other current liabilities. As at 30 June 2022, the net assets attributable to other beneficiaries of consolidated structured entities (both current and non-current portion), short-term borrowings, salary and welfare payable (both current and non-current portion) and other current liabilities accounted for 29.1%, 24.2%, 1.7% and 43.4% of the Group's total liabilities, respectively.

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

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

The Group's total net assets attributable to other beneficiaries of consolidated structured entities (both current and non-current portions) decreased by 54.3% from RMB5,285.0 million on 31 December 2021 to RMB2,413.0 million on 30 June 2022. Changes in such amount mainly reflected changes in the net assets of the Group's consolidated trust schemes as well as the change in percentage of the Company's proprietary investment in such trust schemes.

### Short-term Borrowings

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

### Other Current Liabilities

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

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

The Company's deferred trustee's remuneration increased from RMB30.8 million on 31 December 2021 to RMB41.5 million on 30 June 2022.

The Notice in relation to Value-Added Tax Policies on Asset Management Products (Cai Shui [2017] No. 56) (《關於資管產品增值稅有關問題的通知》(財稅[2017]56 號)) was promulgated by the MOF and the SAT of the PRC on 30 June 2017 (the "Notice"). The Notice requires that, with effect from 1 January 2018, VAT-taxable acts committed by a manager of asset management products during the operation of asset management products shall, for the time being, be governed by the method of simplified VAT taxation, and be subject to VAT at the levy rate of 3%. The trust plan operated by the Company shall pay the VAT pursuant to the Notice. The VAT shall be submitted to the competent taxation authority through a special account of the Company. As at 30 June 2022, the outstanding VAT for trusts and the related surcharges amounted to RMB57.2 million.

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

#### Off-balance Sheet Arrangements

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

### ***3.3.8 Assets under Management, Asset Quality and Financial Performance of Consolidated Trust Schemes***

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

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

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

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

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

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

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

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

	<b>As at 30 June 2022</b>	As at 31 December 2021 (Audited)
	<i>(RMB in millions)</i>	
Total equity of the Company	<b>10,088</b>	10,576
Consolidation adjustment	<b>86</b>	76
<b>Total equity of the Group</b>	<b><u>10,174</u></b>	<b><u>10,652</u></b>

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

	<b>Six months ended 30 June</b>	
	<b>2022</b>	2021
	<i>(RMB in millions)</i>	
Net (loss)/profit attributable to the shareholders of the Company before consolidation of trust schemes	<b>(489)</b>	405
Impact of consolidation of trust schemes	<u><b>15</b></u>	<u>(4)</u>
<b>Net (loss)/profit attributable to the shareholders of the Group after consolidation of trust schemes</b>	<u><u><b>(474)</b></u></u>	<u><u>401</u></u>

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

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

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

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

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

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

## **3.4 Risk Management**

### ***Overview***

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

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

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

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

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

### *General Economic and Financial Market Conditions*

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

After Chinese economy has experienced rapid growth over the past 40 years, it has entered a stage of high-quality development characterised by economic structure optimisation, industry transformation and upgrading. The structural transformation of the Chinese economy and fluctuations in macroeconomic policy and financial market present challenges for the Company's business. For example, regulation of the real estate industry in China and control on local governments to incur debts may negatively affect the Company's trust business. Under the background of economic slowdown, structural adjustment, macroeconomic situation created certain pressure and constraint on the capital and asset sides of trust industry. The Company's clients may reduce their investment activities or financing needs during times of economic slowdown, which may reduce the demand for the Company's various types of trust products. Financial risks of individual cases may break out more often during times of economic slowdown, which may increase the default risks of the Company's counterparties. Since 2020, the global pandemic of COVID-19 has a huge impact on China and world economy, and many market players have been exposed to unprecedented pressure. Although China's economy has begun to recover, the pandemic impact and the uncertainty of future trend may reduce the market demand for the Company's business. On the other hand, the Company may identify new business opportunities during such economic transformation and take advantages of the changes in financial market conditions and the Company may increase its business in areas that can counteract the impact of downward economic cycle. There are, however, uncertainties in the Company's ability to effectively respond to changes in general economic and financial market conditions and increase in its innovative business may not be able to offset decrease in its traditional business, and therefore, the trust business will continue to be significantly affected by general economic and financial market conditions in China.

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

### *Regulatory Environment*

The Company's results of operations, financial condition and development prospects are affected by regulatory developments in the PRC. CBIRC, the main regulatory authority for the PRC trust industry, has been continuously monitoring the development status of the industry and issuing various regulations and policies to encourage or discourage or even prohibit conducting certain types of trust business from time to time. The Company will need to continuously adjust its trust business structure and mode of operation to conform to these regulations and policies, which may have positive or negative impact on the size, income or profitability of the Company's trust business. In April 2018, the People's Bank of China ("PBOC"), the CBIRC, the CSRC and the State Administration of Foreign Exchange jointly issued the Guiding Opinions on Regulating Asset Management Business of Financial Institution (Yin Fa [2018] No. 106) (《關於規範金融機構資產管理業務的指導意見》(銀發[2018]106號)) to unify the regulatory standards of asset management business by product types, requiring, among other things, financial institutions including trust companies to carry out "de-channeling" and "reduce nested systems" in conducting the asset management business. In 2020, the CBIRC made clear requirements for the pressure drop of trust companies' channel business and financing business, insisting on the goal of "de-channeling", continuing to standardise business development and guiding trust companies to accelerate business model transformation. Such policies may impose certain tightening effects on the operation of trust companies in the short term, while in the long term, they are conducive to trust companies in enhancing the active management capability and returning to the fundamentals of trust industry. In 2021, the Company realised the clearing of inter-bank channel business and achieved the pressure drop index of financing business in accordance with the regulatory policy requirements. However, the regulatory authorities may also restrict the development of certain businesses of trust companies from time to time, which may have an adverse effect on the Company's business.

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

#### *Business Lines and Product Mix*

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

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

### *Competition*

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

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

#### *Interest Rate Environment*

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

- Changes in lending rates may affect the comparative financing costs for the Company's counterparty clients from different financing sources and thereby affect their willingness to carry out financings through the Company's trust products;
- Changes in deposit interest rates may affect the comparative investment returns to the Company's trustor clients from different investment options and thereby affecting their willingness to invest in the Company's trust products;

- Changes in lending rates may affect the amount of interest income generated from financing service provided to the Company's counterparty clients by the Company's trust schemes or itself using the Company's proprietary assets and thereby affecting the amount of the trustee's remuneration of the Company as well as the Company's interest income from consolidated trust schemes and its proprietary loans; and
- Changes in interest rates may also affect the value of various types of financial assets held by the Company's trust schemes or itself as proprietary assets. For example, an increase in interest rates may cause a decline in the market value of fixed-income securities and thereby reduce the Net Assets Value of the trust schemes holding such securities or the Company's proprietary business.

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

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

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

### *Credit Risk Management on Trust Business*

The credit risk of the Company's trust business mainly refers to the risk that the Company, as the trustee, fails to receive the Company's due remuneration which is agreed in the trust contracts. The majority of the Company's trusts are financing trusts, under which the failure of fulfilling the repayment obligations by the counterparty clients of the Company, or the ultimate financiers, will negatively affect the Company's ability to receive its remuneration. The Company assesses and manages such default risk through comprehensive due diligence, stringent internal approval and trust establishment procedures as well as ex-post inspections and monitoring. During the Reporting Period, the intelligent risk control system independently designed and developed by the Company was put into use. With index system, rules and models as the engine, the intelligent risk control system established an efficient, unified and reliable risk control data platform, and 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 become insufficient. Under circumstances where the Company assesses the likelihood of such default becomes relatively high, the Company may take necessary disposition measures in a timely manner to minimise the potential loss.

### *Credit Risk Management on Proprietary Business*

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

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

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

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

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

During the Reporting Period, the Company conducted periodical forecasts of the Company's cash flows and monitored the short-term and long-term capital needs of the Company to ensure sufficient cash reserve and financial assets that could be readily convertible into cash. As at 30 June 2022, the Group's current liabilities exceeded its current assets by RMB1,186.9 million. Having considered the cash flows from operations and sources of finance, the Directors consider that the Group will have sufficient working capital to maintain operations for the twelve-month period following 30 June 2022 and repay its debts as they fall due. For conditions of the liquidity and financial resources of the Group, please refer to the section headed "3. Management Discussion and Analysis" – "3.6 Liquidity and Financial Resources" of this interim results announcement.

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

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

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

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

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

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

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

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

The Company enhanced its foresight and adaptability and controlled the policy risks by analysing and researching on the national 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 strengthened the education of legal awareness and carried out extensive educational activities for all of its employees to strengthen their sense of occupational integrity. The Company also designated specific legal positions and engaged legal advisers on annual basis to control the legal risks effectively.

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

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

The Company established an Anti-Money Laundering Leading Work Group for anti-money management, appointed the General Manager of the Company as the chairperson of the group, and the Chief Risk Officer who was responsible for legal and compliance matters as the vice chairperson of the group, and the heads of other relevant departments as members of the group. There is an anti-money laundering office under the Anti-Money Laundering Working Group, consisting of the heads of the Trust Finance Department (Operation Centre), Information Technology Department, Office of the Board of Directors (Supervisors) (Research and Development Centre), Asset Monitoring Centre, Finance Management Department, Risk Control Department, Legal & Compliance Department, Wealth Management Business Division, Family Trust Business Division, Office, Office of Discipline Inspection (Supervision and Audit Department) and Human Resources Department (Party and Mass Work Department), in order to organise and conduct anti-money laundering management work.

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

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

### 3.5 Capital Management

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

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

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

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

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

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

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

Given the net current liabilities position, the Directors have given consideration to the future liquidity and performance of the Group in assessing whether the Group will have sufficient financial resources to continue as a going concern. Having considered the cash flows from operations and sources of finance, the Directors consider that the Group will have sufficient working capital to maintain operations for the twelve-month period following 30 June 2022 and repay its debts as they fall due. Accordingly, the unaudited interim condensed consolidated financial information have been prepared on a going concern basis. For relevant details, please refer to the section headed "11.3 Notes to Interim Condensed Consolidated Financial Statements – 2 Basis of Preparation" of this interim results announcement.

### 3.7 Future Prospect

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

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

#### 4. PROFITS AND DIVIDENDS

The Company's profit for the six months ended 30 June 2022 is set out in "3. Management Discussion and Analysis – 3.3 Financial Overview" in this results announcement.

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

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

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

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

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

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

##### **Changes of Directors**

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

## **Changes of Supervisors**

Mr. Tian Zhiguo tendered his resignation as an employee representative Supervisor with effect from 7 January 2022 due to work adjustment. Ms. Li Yan was elected as an employee representative Supervisor at the employee representative meeting of the Company with effect from 7 January 2022.

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

## **Changes of Senior Management**

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

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

## **6. CORPORATE GOVERNANCE CODE**

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

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

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

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

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

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

## **9. SIGNIFICANT EVENTS**

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

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

### **9.2 Proposed Amendments to the Articles of Association**

During the Reporting Period, there had been no material changes to the articles of association of the Company. The articles of association is available on the websites of the Company and The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**").

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

As at 30 June 2022, the Company, being the plaintiff and applicant, was involved in 11 pending material litigations or arbitration cases, of which the amount in dispute was more than RMB10 million; the value of the litigation or arbitration cases in which the Company was involved totalled approximately RMB5,170.29 million. These cases were mainly brought by the Company against the relevant counterparty clients due to their failure to repay the loans granted by the trusts of the Company.

As at 30 June 2022, the Company, being the defendant and respondents, was not involved in pending material litigations or arbitration cases.

## 9.4 Disposal through Public Tender Procedures

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

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

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

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

Save as disclosed herein, during the Reporting Period, the Company had no material assets acquisition, sale and merger.

## **9.5 Auditor**

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

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

## **10. SUBSEQUENT EVENTS**

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

## 11. EXTRACT OF INTERIM FINANCIAL STATEMENTS

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

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

		<b>Six months ended 30 June</b>	
	<i>Notes</i>	<b>2022</b>	2021
		<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
Fee and commission income	5	<b>519,484</b>	488,446
Interest income	6	<b>37,600</b>	442,397
Net changes in fair value on financial assets at fair value through profit or loss and investments in associates measured at fair value	7	<b>35,869</b>	(135,419)
Investment income	8	<b>36,664</b>	170,696
Net gains on disposal of investments in associates		–	41,196
Other operating income		<b>1,680</b>	2,985
<b>Total operating income</b>		<b>631,297</b>	1,010,301
Interest expenses	9	<b>(58,637)</b>	(300,498)
Staff costs (including directors and supervisors' emoluments)	10	<b>(93,649)</b>	(74,673)
Depreciation and amortisation		<b>(15,611)</b>	(8,247)
Change in net assets attributable to other beneficiaries of consolidated structured entities		<b>46,026</b>	(26,683)
Tax and surcharges		<b>(6,199)</b>	(8,050)
Administrative expenses		<b>(43,059)</b>	(30,708)
Impairment losses on financial assets, net of reversal	11	<b>(1,347,287)</b>	(335,745)
<b>Total operating expenses</b>		<b>(1,518,416)</b>	(784,604)

		<b>Six months ended 30 June</b>	
	<i>Notes</i>	<b>2022</b>	<b>2021</b>
		<b>RMB'000</b>	<b>RMB'000</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
Share of results of investments in the associates accounted for using the equity accounting method		<u>191,254</u>	<u>239,626</u>
<b>(Loss)/profit before income tax</b>		<b>(695,865)</b>	<b>465,323</b>
Income tax credit/(expense)	12	<u>221,594</u>	<u>(64,381)</u>
<b>Net (loss)/profit attributable to shareholders of the Company</b>		<b><u>(474,271)</u></b>	<b><u>400,942</u></b>
<b>Other comprehensive (expense)/income</b>			
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Share of other comprehensive (expense)/income from investments in the associates accounted for using the equity accounting method		<u>(3,199)</u>	<u>8,387</u>
<b>Total other comprehensive (expense)/income, net of tax</b>		<b><u>(3,199)</u></b>	<b><u>8,387</u></b>
<b>Total comprehensive (expense)/income attributable to shareholders of the Company</b>		<b><u>(477,470)</u></b>	<b><u>409,329</u></b>
<b>Basic and diluted (loss)/earnings per share attributable to shareholders of the Company</b>			
<i>(in RMB yuan)</i>	13	<u>(0.10)</u>	<u>0.09</u>
<b>Total comprehensive (loss)/income for the period attributable to shareholders of the Company arises from:</b>			
Continuing operations		<b><u>(477,470)</u></b>	<b><u>409,329</u></b>

## 11.2 Interim Condensed Consolidated Statement of Financial Position

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

	<i>Notes</i>	<b>30 June 2022 RMB'000 (Unaudited)</b>	31 December 2021 RMB'000 (Audited)
<b>Equity and liabilities</b>			
Share capital	20	<b>4,658,850</b>	4,658,850
Capital reserve	20	<b>143,285</b>	143,285
Statutory surplus reserve		<b>952,314</b>	952,314
Statutory general reserve		<b>1,141,068</b>	1,141,068
Other reserves		<b>(3,359)</b>	(160)
Retained earnings		<b>3,281,590</b>	3,755,861
<b>Total equity</b>		<b>10,173,748</b>	10,651,218
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Salary and welfare payable		<b>82,324</b>	21,551
Lease liabilities		<b>52,443</b>	7,090
Net assets attributable to other beneficiaries of consolidated structured entities		<b>141,426</b>	567,839
<b>Total non-current liabilities</b>		<b>276,193</b>	596,480
<b>Current liabilities</b>			
Short-term borrowings	21	<b>2,004,991</b>	1,604,227
Lease liabilities		<b>13,502</b>	4,320
Salary and welfare payable		<b>60,312</b>	94,450
Net assets attributable to other beneficiaries of consolidated structured entities		<b>2,271,570</b>	4,717,136
Income tax payable		<b>66,203</b>	99,756
Other current liabilities		<b>3,596,543</b>	1,294,960
<b>Total current liabilities</b>		<b>8,013,121</b>	7,814,849
<b>Total liabilities</b>		<b>8,289,314</b>	8,411,329
<b>Net current liabilities</b>		<b>(1,186,944)</b>	(2,305,271)
<b>Total equity and liabilities</b>		<b>18,463,062</b>	19,062,547

## 11.3 Notes to the Interim Condensed Consolidated Financial Information

### 1 GENERAL

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

The Company is controlled by Shandong Lucion Investment Holdings Group Co., Ltd (“**Lucion Group**”), which aggregately owns 52.96% of the shares of the Company as at 30 June 2022. Lucion Group is further controlled by Shandong Provincial Department of Finance.

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

The Company and its subsidiaries (including consolidated structured entities) are collectively referred to as the “**Group**”.

## 2 BASIS OF PREPARATION

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

### Going concern assessment

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

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

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

- a. The Group will continue to explore with other third-party financial institutions, where necessary, the refinancing of trust schemes established and managed and/or invested by the Group; and
- b. Under the “Interim Measures for the Administration of Stock Rights of Trust Companies” promulgated by the CBIRC effective from 1 March 2020 and as set out in the Articles of Associations of the Company, Lucion Group as the parent company of the Company has an obligation to offer necessary financial support upon the request of the Company in the event of liquidity difficulties.

The Group has requested, and Lucion Group has committed, to provide financial support to ensure the Group will have sufficient financial resources to meet its obligations when they fall due within the next twelve months from 30 June 2022 through measures including but not limited to the following:

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

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

### **3 PRINCIPAL ACCOUNTING POLICIES**

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

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

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

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

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

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

#### 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

#### 5 FEE AND COMMISSION INCOME

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

## 6 INTEREST INCOME

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

*Note:*

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

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

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

## 8 INVESTMENT INCOME

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

## 9 INTEREST EXPENSES

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

*Note:*

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

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

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

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

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

**12 INCOME TAX (CREDIT)/EXPENSE**

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

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

The actual income tax (credit)/expense (credited)/charged in the profit or loss can be reconciled to the (loss)/profit before income tax per the interim condensed consolidated statement of profit or loss and other comprehensive income as follows:

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

*Note:*

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

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

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

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

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

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

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

#### (c) *Dividends*

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

## 14 INVESTMENTS IN ASSOCIATES

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

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

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

## 15 LOANS TO CUSTOMERS

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

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

**(b) Movement of corporate loans**

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

	Stage 1 <i>RMB'000</i> (Audited)	Stage 2 <i>RMB'000</i> (Audited)	Stage 3 <i>RMB'000</i> (Audited)	Total <i>RMB'000</i> (Audited)
<b>Balance as at</b>				
<b>1 January 2021</b>	5,514,950	60,000	8,657,299	14,232,249
Additions				
<i>(note (iii) below)</i>	637,000	–	2,131,600	2,768,600
Repayments	(4,540,572)	(60,000)	(999,654)	(5,600,226)
Transfers:	(750,000)	750,000	–	–
<i>Transfer from Stage 1 to Stage 2</i>	(750,000)	750,000	–	–
<b>Balance as at 31 December 2021</b>	<u>861,378</u>	<u>750,000</u>	<u>9,789,245</u>	<u>11,400,623</u>

*Notes:*

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

(c) *Movements of ECL allowance-Loans*

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

	Stage 1 12-month ECL <i>RMB'000</i> (Audited)	Stage 2 Lifetime ECL <i>RMB'000</i> (Audited)	Stage 3 Lifetime ECL <i>RMB'000</i> (Audited)	Total <i>RMB'000</i> (Audited)
Balance as at 1 January 2021	131,120	1,637	1,422,638	1,555,395
Provision for impairment	–	28,206	572,329	600,535
Reversal of impairment allowances	(82,413)	(1,637)	(8,813)	(92,863)
Transfers:	(25,124)	25,124	–	–
<i>Transfer from Stage 1 to Stage 2</i>	(25,124)	25,124	–	–
Exposure at Default ("EAD"), Probability of Default ("PD") and Loss Given Default ("LGD") changes <i>(note (iii) below)</i>	<u>(5,494)</u>	<u>–</u>	<u>–</u>	<u>(5,494)</u>
Balance as at 31 December 2021	<u>18,089</u>	<u>53,330</u>	<u>1,986,154</u>	<u>2,057,573</u>

*Notes:*

- (i) During the period ended 30 June 2022, certain loans to customers were transferred to financial investments-amortised cost as a result of the Group acquiring the rights of certain financial assets at amortised cost from trust schemes.
- (ii) During the period ended 30 June 2022, a loan to customer was classified as "Assets classified as held for sale" in accordance with IFRS 5. Details are set out in note 19.
- (iii) This item includes PD, EAD, LGD changes due to routine updates to model parameters.

## 16 FINANCIAL INVESTMENTS-AMORTISED COST

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

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

### (b) Movement of principals

	Stage 1	Stage 2	Stage 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Balance as at 1 January 2022	-	-	1,090,714	1,090,714
Additions (note (i) below)	124,301	866,337	118,569	1,109,207
Transfer from loans to customers (note 15(b)(i))	-	-	14,960	14,960
Repayments	<u>(8,517)</u>	<u>(5,192)</u>	<u>-</u>	<u>(13,709)</u>
Balance as at 30 June 2022	<b><u>115,784</u></b>	<b><u>861,145</u></b>	<b><u>1,224,243</u></b>	<b><u>2,201,172</u></b>
	Stage 1	Stage 2	Stage 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
	(Audited)	(Audited)	(Audited)	(Audited)
Balance as at 1 January 2021	51,600	-	14,297	65,897
Additions (note (i) below)	-	-	1,076,417	1,076,417
Repayments	<u>(51,600)</u>	<u>-</u>	<u>-</u>	<u>(51,600)</u>
Balance as at 31 December 2021	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>1,090,714</u></b>	<b><u>1,090,714</u></b>

*Note:*

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

**(c) Movements of ECL allowance**

	Stage 1 12-month ECL <i>RMB'000</i> (Unaudited)	Stage 2 Lifetime ECL <i>RMB'000</i> (Unaudited)	Stage 3 Lifetime ECL <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
Balance as at 1 January 2022	–	–	203,080	203,080
Provision for impairment	<u>6,810</u>	<u>78,656</u>	<u>89,601</u>	<u>175,067</u>
Balance as at 30 June 2022	<u><u>6,810</u></u>	<u><u>78,656</u></u>	<u><u>292,681</u></u>	<u><u>378,147</u></u>
	Stage 1 12-month ECL <i>RMB'000</i> (Audited)	Stage 2 Lifetime ECL <i>RMB'000</i> (Audited)	Stage 3 Lifetime ECL <i>RMB'000</i> (Audited)	Total <i>RMB'000</i> (Audited)
Balance as at 1 January 2021	1,312	–	14,297	15,609
Provision for impairment	–	–	188,783	188,783
Reversal of impairment allowances	<u>(1,312)</u>	<u>–</u>	<u>–</u>	<u>(1,312)</u>
Balance as at 31 December 2021	<u><u>–</u></u>	<u><u>–</u></u>	<u><u>203,080</u></u>	<u><u>203,080</u></u>

## 17 CASH AND BANK BALANCES

### (a) Cash and bank balances

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

Other monetary assets represent cash deposited in securities company.

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

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

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

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

### Notes:

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

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

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

## 19 ASSETS CLASSIFIED AS HELD FOR SALE

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

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

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

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

## 20 SHARE CAPITAL AND CAPITAL RESERVE

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

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

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

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

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

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

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

	<b>30 June 2022</b>	31 December 2021
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
	<b>(Unaudited)</b>	(Audited)
Share premium	<b>122,797</b>	122,797
Others	<b>20,488</b>	20,488
	<hr/>	<hr/>
Total	<b><u>143,285</u></b>	<u>143,285</u>

## 21 SHORT-TERM BORROWINGS

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

## 22 SUBSEQUENT EVENTS

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

## 12. AUDIT COMMITTEE

The Audit Committee has reviewed the accounting principles and conventions adopted by the Company with the management of the Company and the Company's external auditor. The Audit Committee has reviewed the interim results for the six months ended 30 June 2022.

## 13. THE INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2022 PUBLISHED ON THE HONG KONG STOCK EXCHANGE'S WEBSITE AND THE COMPANY'S WEBSITE

The interim results announcement for the six months ended 30 June 2022 is published on the website of the Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company's website ([www.sitic.com.cn](http://www.sitic.com.cn)). The interim report for the six months ended 30 June 2022 which contains all information required by the Listing Rules will be distributed to shareholders of the Company and published on the Hong Kong Stock Exchange's website and the Company's website in due course.

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

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

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