

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*

# LUCION

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

**山東省國際信託股份有限公司**

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

**(Stock Code: 1697)**

## **ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2022**

The board of directors (the “**Board**” or “**Board of Directors**”) of Shandong International Trust Co., Ltd. (the “**Company**”) is pleased to announce the audited consolidated annual results of the Company for the year ended 31 December 2022 (the “**Reporting Period**”). The content of this annual results announcement has been prepared in accordance with applicable disclosure requirements under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) in relation to preliminary announcements of annual results and the International Financial Reporting Standards (the “**IFRSs**”) promulgated by the International Accounting Standards Board. Such annual results have also been reviewed and confirmed by the Board and the audit committee of the Board (the “**Audit Committee**”). Unless otherwise stated, financial data of the Company are presented in Renminbi.

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

## 1. BASIC CORPORATE INFORMATION

### 1.1 Basic Information

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

### 1.2 Contact Person and Contact Details

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

## 2. SUMMARY OF FINANCIAL DATA

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

		Year ended 31 December	
	Notes	2022	2021
		<i>(RMB in thousands)</i>	
Fee and commission income	4	990,286	829,727
Interest income	5	62,741	540,793
Net changes in fair value on financial assets at fair value through profit or loss (“FVTPL”) and investments in associates measured at fair value	6	40,218	(206,893)
Investment (loss)/income	7	(2,342,761)	272,877
Net gains on disposal of associates	8	2,686,123	333,949
Other operating income		8,589	8,243
<b>Total operating income</b>		<b>1,445,196</b>	<b>1,778,696</b>
<b>Total operating expenses</b>		<b>(1,030,947)</b>	<b>(1,794,878)</b>
<b>Operating profit/(loss)</b>		<b>414,249</b>	<b>(16,182)</b>
Share of results of investments in associates accounted for using the equity accounting method	12	176,985	481,324
<b>Profit before income tax</b>		<b>591,234</b>	<b>465,142</b>
Income tax (expense)/credit	13	(310,805)	3,377
<b>Net profit attributable to shareholders of the Company</b>		<b>280,429</b>	<b>468,519</b>

## 2.2 Summary of Consolidated Statement of Financial Position

	As at 31 December	
	2022	2021
	<i>(RMB in thousands)</i>	
Total current assets	<b>6,829,597</b>	5,509,578
Total current liabilities	<b>3,352,501</b>	7,814,849
Total non-current assets	<b>7,628,535</b>	13,552,969
Total non-current liabilities	<b>175,555</b>	596,480
Total assets	<b>14,458,132</b>	19,062,547
Total liabilities	<b>3,528,056</b>	8,411,329
Total equity	<b>10,930,076</b>	10,651,218

## 2.3 Summary of Consolidated Statement of Cash Flows

	Year ended 31 December	
	2022	2021
	<i>(RMB in thousands)</i>	
Net cash used in operating activities	<b>(3,725,015)</b>	(1,731,951)
Net cash generated from investing activities	<b>4,122,747</b>	928,033
Net cash generated from financing activities	<b>256,262</b>	1,421,161
Effect of exchange rate changes on cash and cash equivalents	–	(182)
Net increase in cash and cash equivalents	<b>653,994</b>	617,061
Cash and cash equivalents at the beginning of the year	<b>1,586,596</b>	969,535
Cash and cash equivalents at the end of the year	<i>18</i> <b>2,240,590</b>	1,586,596

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

#### **3.1 Environment Overview**

Since 2022, global economic growth has slowed down, and inflation has remained at a high level. The geopolitical conflicts have continued, and the external environment has been volatile. China insisted on coordinating pandemic prevention and control, socio-economic development, as well as development and safety, and strengthened adjustment of macro controls, so as to respond to the impact of unexpected factors. The development quality was steadily improved with fruitful results in scientific and technological innovation. The comprehensive deepening of reform and opening-up stabilised employment and prices, and effectively safeguarded food security, energy security and people's life.

China's financial industry actively responded to the severe challenges such as the complex and ever-changing international economic and financial situation, the resurgent impact of domestic pandemic, and the new downward pressure on the economy. Closely focusing on the three tasks of serving the real economy, prevented and controlled financial risks and deepening financial reform, the industry resolutely supported the stabilisation of the macro-economic market, vigorously supported the credit investment in key areas of infrastructure, comprehensively promoted the strategy of financial services for rural revitalisation and strong nation, fully maintained the stable operation of the real estate market to resolutely defend the bottom line of systemic financial risks, and effectively responded to any unexpected impact.

China's trust industry has always adhered to the general tone of pursuing progress while ensuring stability, followed the regulatory guidance, constantly optimised business structure and mitigated risks, with improving capital strength of the industry to better serve the high-quality economic development and people's life. As at the end of 2022, the balance of trust assets managed by China's trust industry was RMB21.14 trillion, the scale of assets under management has stabilised and rebounded, while the structure of assets, the ways of allocation and the application of the fund has continued to be optimised, the standard product business has developed rapidly, the business quality and volume have increased, the ability to serve the real economy has been continuously strengthened, and the transformation and innovation has achieved positive progress.

## 3.2 Business Overview

In 2022, facing severe challenges such as the resurgent impact of the domestic pandemic, new downward pressure on the economy and unexpected factors, SITC always adhered to the general tone of striving for progress while maintaining stability, adjusted structure, mitigated risks, grasped reform, and advanced management, making every effort to implement the key work. The assets scale has gradually recovered, with optimised business structure and steadily increasing operating results, while the development trend of making progress in the midst of stability has generally been maintained.

Firstly, the Company focused on the transformation and innovation of the main business, and accelerated the improvement of both traditional businesses and innovative businesses. Key businesses of strategic transformation such as capital market, family trust and wealth management were accelerated. The business and income structure was stable and optimised, the assets under management were stabilised and rebounded, and the sustainable development capability was significantly enhanced. The product line of active management of fixed income, hybrid and equity products has been established. As at the end of 2022, the assets scale of standard products exceeded RMB80 billion. The market performance of the main product line was outstanding. “Taishanbao” was awarded the “Golden Bull Award of the Trust Industry for One-year Fixed Income Products”, while “Shandong Construction and Development Fund”, “Penglai Ge”, “Jiefang Ge” and “Core Stable Select” and other product series ranked top among similar products in terms of performance. The Company constantly strengthened the cooperation with bank financial subsidiaries, securities companies, fund management companies and other financial institutions, and strove to build an all-round interbank cooperation system. The Company improved real estate trust and industrial and commercial enterprises trusts, and enhanced the income generating capacity of the traditional businesses. Under the premise of optimising project resources and strictly controlling risks, the Company supported the normal operation of high-quality housing enterprises, industrial and commercial enterprises. The green trust was actively expanded with 8 new orders throughout the year. The Company also innovatively established the first green certified CCER carbon asset green trust with income rights in China, contributing the trust power to the development of green and low-carbon industries. While consolidating the industry-leading advantages of its original businesses and enriching its talent team, the Company constantly improved its professional service capabilities. At the end of 2022, the existing scale of family trust

reached RMB26.46 billion, representing a year-on-year increase of over 20%. During the year, there were four new charitable trusts with an existing scale of approximately RMB90 million. In the meantime, the Company actively explored and implemented the service trust of pre-paid funds. We started the proprietary business in a solid and steady way, 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 accelerated the transformation of wealth management and significantly enhanced its independent marketing capability. It further promoted the transformation of wealth management business, focused on building a new system of wealth management capabilities, and comprehensively promoted the transformation of wealth management business focus to “allocation” by centring on organisational structure, management model, product services and brand building. Strengthening the construction of independent marketing system, it improved the layout of wealth outlets and enriched the marketing talent team. In 2022, the scale of independent marketing amounted to RMB28.349 billion, with a year-on-year increase of 75.3%. Taking the joint-stock commercial banks with good customer base and strong sales capabilities as the key to expand new agency sales channels, the Company added a number of cooperative banks and implemented agency sales business. The Company insisted on promoting the protection of consumers’ rights and interests, regularly organised financial knowledge presentation activities, continuously improved the consumer protection system and enhanced the effectiveness of consumer rights protection and education on investors.

Thirdly, the Company sped up the construction of financial technology, and empowered the innovative upgrading of management. The Company promoted the construction of digital transformation, and built a new technology service capability based on capacity improvement, driven by the integration of “steady and agile” states, and with the vision of enhancing technology as business empowerment, in respect of organisational mechanism construction, scientific and technological concept cultivation, information capacity construction, infrastructure upgrading, information security reinforcement, etc. The Company focused on promoting the construction of projects such as the automatic valuation system for standard product business, robot process automation platform and automatic operation scenario, new version of standard product asset management platform and family trust exclusive APP, deeply exploring business demand scenarios to improve the online, standardised and intelligent level for continuous construction of digital capabilities.

Fourthly, the Company kept advancing the reform of the institutional mechanism and strengthened the endogenous power of transformation and development. The Company continued to deepen the “three institutional reforms” and adhere to the market-oriented approach, improved mechanism for “the promotion and demotion of cadres, the employment or dismissal of employees, and the salary increment or decrement” and established the “red and yellow cards” early warning mechanism for performance assessment, implemented regular review of performance indicators and phased assessment to strengthen process management, identify and solve problems in a timely manner, further unleashing the innovation and vitality for transformation and development. Guided by the problems and suggestions raised by employees, the Company organised and carried out the “Year of Refined Management Improvement” activity to further clarify the responsibilities of departments and offices, optimise the approval process, and enhance the guarantee ability, so as to effectively improve the refined management level of the Company.

Fifthly, the Company continued to increase the level of risk management and continuously strengthened the construction of internal control and compliance. The Company constantly strengthened the construction of a closed-loop system for the whole process of risk management and control, and promoted the institutionalisation of risk control, systematic process and open process. The Company also prudently carried out various businesses and continuously strengthened risk prevention and in-process monitoring to effectively curb new risks. Based on the needs of business transformation, the Company continued to improve the internal control system and built a solid foundation for compliance, while earnestly implementing anti-money laundering and anti-terrorist financing and boosting the construction of the anti-money laundering system. The Company adhered to the position of being a trustee, vigorously carried forward the trust culture, publicised the trust concept, insisted on carrying out the construction of trust culture, and formulated the activity plan of “the Year of Trust Culture Establishment” for active organisation and implementation of multiple measures.



In 2022, the Group achieved fee and commission income with an amount of RMB990.3 million, representing a year-on-year increase of 19.4%; operating income with an amount of RMB1,445.2 million, representing a year-on-year decrease of 18.7%. The profit before income tax was RMB591.2 million, representing a year-on-year increase of 27.1%, mainly due to (i) the year-on-year increase in fee and commission income, net gains on disposal of associates, (ii) the year-on-year decrease in provision for expected credit losses on financial assets, (iii) a positive amount recorded in the net changes in fair value on financial assets at FVTPL and investments in associates measured at fair value, change in net assets attributable to other beneficiaries of consolidated structured entities, partly offset by (iv) the year-on-year increase in net interest expenses, the decrease in the share of results of investments in associates accounted for using the equity accounting method and the investment loss recorded during the Reporting Period. Net profit attributable to shareholders of the Company was RMB280.4 million, representing a year-on-year decrease of 40.1%, mainly because the Group incurred significant income tax expense of RMB310.8 million due to the disposal of associates during the Reporting Period. The Board is of the view that the higher income tax expense recorded during the Reporting Period is non-recurring in nature and the Company's operating and financial position remain stable.

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

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

	Year ended 31 December			
	2022		2021	
	Amount	%	Amount	%
	<i>(RMB in thousands, except for %)</i>			
<b>Trust business</b>				
Operating income	991,686	61.13%	830,812	36.76%
Segment income	991,686	61.13%	830,812	36.76%
<b>Proprietary business</b>				
Operating income	453,510	27.96%	947,884	41.94%
Share of results from investments in associates accounted for using the equity accounting method	176,985	10.91%	481,324	21.30%
Segment income	630,495	38.87%	1,429,208	63.24%
<b>Total</b>	<b>1,622,181</b>	<b>100.00%</b>	<b>2,260,020</b>	<b>100.00%</b>

In 2022, the income from the trust business and proprietary business of the Group accounted for 61.13% and 38.87% of the total revenue of the Group, respectively.

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

In 2022, the 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 (including insurance trusts) increased from RMB172,228 million as at 31 December 2021 to RMB215,400 million as at 31 December 2022. In 2022, the Company achieved income of trust business amounted to RMB991.7 million, indicating a year-on-year increase of 19.4%. During the Reporting Period, revenue from the actively managed trust amounted to RMB693 million, accounting for 70.0% of the fee and commission income of the total income from trust business and indicating a year-on-year decrease of 12.7 percentage points.

#### *Classification of Trusts*

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

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

- (1) **Financing trusts:** Through financing trusts, the Company mainly provides private equity investment banking services to various types of enterprises and institutions in China, and offers flexible and diversified financing plans.

- (2) **Investment trusts:** With investment trusts, the Company provides asset and wealth management services to institutional investors and HNWIs to satisfy their investment needs. The rapid accumulation of wealth in the PRC has resulted in diversified demands for various forms of investment. As the traditional asset management industry in the PRC is dominated by securities investment fund companies and securities firms, which mainly invest in standardised financial products in capital markets, such as the money market, publicly traded stocks and bonds, the Company believes the flexibility of trusts and the business scope of the trust license enables the Company to offer financial products with unique value to institutional investors and HNWIs.
- (3) **Administrative management trusts:** Through the administrative management trusts, the Company provides administrative services to the trustors, whilst aiming at satisfying the investment needs of trustor clients on the one hand and the financing needs of the clients' counterparties on the other hand. The Company established administrative management trusts pursuant to the instructions of trustors and provided financing and investments for real estate development projects, infrastructure projects, and various industrial and commercial enterprises chosen by those trustors. For these types of trusts, the Company merely provides trust administration-related services and accepts entrustment of trust assets from trustors and uses such trust assets to provide financing for or invest in the projects or enterprises designated by the trustors.

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

	<b>As at 31 December</b>			
	<b>2022</b>		<b>2021</b>	
	<b>Number</b>	<b>AUM</b>	<b>Number</b>	<b>AUM</b>
	<i>(AUM: RMB in millions)</i>			
Financing trusts	<b>187</b>	<b>47,214</b>	184	51,470
Investment trusts	<b>1,274</b>	<b>63,471</b>	987	34,921
Administrative management trusts	<b>175</b>	<b>98,792</b>	147	83,029
<b>Total</b>	<b><u>1,636</u></b>	<b><u>209,477</u></b>	<b><u>1,318</u></b>	<b><u>169,420</u></b>

*Note:*

1. The Company adjusted the disclosure criteria of “assets under management” to the balance of trust assets according to the disclosure practise of the trust industry in the PRC. As at 31 December 2022 and 31 December 2021, the assets under management of the Company amounted to RMB215,400 million and RMB172,228 million, respectively.
2. The “assets under management” as disclosed in the above table does not include the size of the insurance trusts (in terms of basic insurance amount) managed by the Company as at the corresponding dates, being RMB5,923 million (31 December 2022) and RMB2,808 million (31 December 2021).

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

	<b>Year ended 31 December</b>			
	<b>2022</b>		<b>2021</b>	
	<b>Revenue</b>	<b>%</b>	<b>Revenue</b>	<b>%</b>
	<i>(Revenue: RMB in millions)</i>			
Financing trusts	<b>565</b>	<b>57.07</b>	596	71.81
Investment trusts	<b>128</b>	<b>12.93</b>	90	10.84
Administrative management trusts	<b>297</b>	<b>30.00</b>	144	17.35
<b>Total</b>	<b><u>990</u></b>	<b><u>100.00</u></b>	<b><u>830</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 31 December 2022, the Company had 23 existing equity investment projects (including "equity + debt" projects), of which the total scale of pure equity investment was RMB690 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 the law and provides entrusted services for securities investment and securities issuance. The investment scope of capital market business usually includes: stocks listed and traded on stock exchanges, public securities investment funds, private securities investment funds, financial derivatives, corporate bonds, treasury bonds, convertible corporate bonds, asset-backed securities, treasury reverse repurchase, bank deposits and other varieties allowed by regulatory authorities. In terms of business model, there are two main business models: (1) actively-managed: the trust company directly invests the trust funds into stocks, bonds, public funds and other securities, or indirectly invests through the establishment of TOF and MOM. The trust company is specifically responsible for the whole process core work such as the construction, research, trading, liquidation and valuation of the product pool; (2) administrative management: the trust company invests the trust funds in the capital market trading varieties according to the investment suggestions of the investment consultant (such as the manager of private securities funds) designated by the trustor or selected by the trust company. The trust company provides investment consultants with trust services including account opening, property custody, trading, executive supervision, liquidation, valuation, equity registration, interest distribution, information disclosure, performance attribution and contract custody.

SITC set up a capital market business department to carry out capital market business, which consists of fixed income department, portfolio investment department, equity investment department, asset securitisation department, interbank securities service department, private securities service department, investment strategy department, financial market department, securities investment banking department, comprehensive operation department and other professional departments, providing investors with different risk preferences and different maturities with various assets including fixed income, mixed income, equity and financial derivatives to meet their diversified investment and asset allocation needs. The Company continued to increase its investment in information technology in capital market business. At present, the Company has established an integrated information system covering the whole process of the project, including project management system, trust beneficial

right management system, standard product investment management system and asset securitisation system, which can be used to conduct comprehensive management of the project, assets, customers, products, beneficial rights, business process, business account and risk control, and can provide commercial banks, bank financial subsidiaries, securities companies, private securities fund management companies and other interbank institutions with whole process trust services such as custody, trading, valuation and settlement of securities such as stocks, bonds and funds.

As at 31 December 2022, the size of the Company's existing capital market business exceeded RMB80 billion. With the establishment of the Science and Technology Innovation Board, the Beijing Stock Exchange and the implementation of capital market deepening reform measures such as the comprehensive implementation of the stock issuance and registration system, the construction of China's multi-level capital market has been improved day by day, which provides a broad development platform and market space for trust companies to vigorously expand this kind of business.

#### *Family Trusts*

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



In 2022, the domestic localisation of family trusts has gone through ten years, and the industry has ushered in prosperous development. SITC is one of the earliest entrants into family trust business in China, and Family trust is a strategic business that SITC has adhered to and focused on for a long time. In recent years, the Company has continued to promote business model innovation, developed and formed mature business models for innovative service such as equity family trust, insurance trust, family charity trust and foreign beneficiary 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. In 2022, the Company developed and launched the new family trust comprehensive management platform system and client, and implemented online management of the full process of family trust customers in various channels such as submission of application, contract generation, audio and video recording during contract signing and asset search.

As at 31 December 2022, the Company had established 1,600 family trusts, with an existing scale reaching RMB26.46 billion, which has always been in the forefront of the industry in recent years. In 2022, the Company's family trust was awarded the "Gold Honour Award – Outstanding Family Office", "Gold Honour Award – Excellent Family Trust Product" and "Integrity Trust – Best Charitable Trust Product Award", etc., at the annual summit of China's asset management and wealth management industry. The Company always insists on leading the business with faithful culture and service thinking, taking into account model innovation and industry expansion, and is committed to building the family trust brand of "De Shan Qi Jia", which has been widely recognised by customers, experts, authoritative institutions and partners.

### Industrial and Commercial Enterprises Trusts

Industrial and commercial enterprises trust refers to the business that the trust company, as the trustee, accepts the trust property of the trustor in the form of single or collective trust, and applies the trust capitals to industrial and commercial enterprises such as production, service and trade enterprises according to the wishes of the trustor to manage, apply and dispose of the trust property. Industrial and commercial enterprises trust can solve the capital needs of enterprises in the process of operation, such as liquidity capital needs, M&A capital needs, etc. Industrial and commercial enterprises trust is an important business for trust companies to comply with the guidance of national policies and guide social funds to invest in the real economy. It can meet the capital needs of enterprises through equity, creditor's rights, stock debt linkage, industrial funds and other ways. As at 31 December 2022, the existing industrial and commercial enterprises trust scale of SITC was RMB63.12 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 31 December 2022, the Company's existing infrastructure trust amounted to RMB11.11 billion, and its counterparties were mainly state-owned enterprises.

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

### Consumer Finance Trusts

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

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

As at 31 December 2022, the Company had established consumer finance trusts totalling RMB7.647 billion, with an existing scale of RMB3.494 billion, providing consumption financial services to 3,044.9 thousand natural persons in aggregate and established long-term and stable cooperative relations with many well-known and stable platforms with high credit rating in the industry. With the introduction of normative documents in the consumer finance industry, the business rules and business model of consumer finance have become clearer, which has laid a solid institutional foundation and provided broad development space for trust companies to standardise and steadily carry out consumer finance business.

### Public Welfare/Charitable Trusts

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

As at 31 December 2022, the Company had established a total of 15 standardised charitable trusts with an existing scale of approximately RMB90 million. The Company has utilised a total of RMB12 million of trust funds in accordance with trustors' intentions for the benefit of 5,735 direct beneficiaries. The charitable projects spread all over Shandong, Shanxi, Shaanxi, Anhui, Fujian, Jiangsu, Yunnan and other provinces and cities, which strongly promoted the development of public welfare undertakings such as providing financial aid to students, offering financial help to the poor, alleviating poverty and helping the disabled. The development of poverty alleviation and other public welfare undertakings has effectively met the needs of individuals, enterprises, social organisations and government departments in public welfare and charity and social responsibility. In 2022, it was awarded the "Gold Honour Award – Outstanding Charitable Trust Product Award" at the annual summit of China's asset management and wealth management industry, "Honourable Unit for Caring for the Disabled" of Shandong Provincial Disabled Person Welfare Foundation and "Public Welfare Partner" of Shandong Provincial Rural Revitalisation Foundation, etc. In December 2022, the "charity trust" module in "SITC" APP was launched, which constructed an online integrated platform for charity trust services, driving the promotion and innovative development of charity trust, attracting more young groups and caring customers who prefer digital means to participate in public welfare and charity, and stimulating customers' enthusiasm to participate in public welfare and charity activities.

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

### Service Trusts

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

**Wealth Management Service Trusts:** the Company is developing its private wealth management business. The Company has established certain individual trusts whereby the trustor clients entrust their funds to the Company and allow the Company to allocate the funds into different trust products chosen by the Company for them based on their respective investment needs. The trust agreements normally set forth the general scope of investment as set by the trustors, and the Company is granted full discretion on allocation of the trust assets. During the Reporting Period, the Company continued to exert effort on developing the customer base for the discretionary wealth management trusts and to improve asset allocation, thus helping customers to realise higher yields. As at 31 December 2022, the Company managed eighteen other individual wealth management trusts, of which 14 were newly added during the year, with the AUM reaching approximately RMB291 million; and managed eight wealth management trusts of legal persons and unincorporated organisations, with the AUM approximately RMB 1.733 billion.

**Entrusted Services for Asset Securitisation Trusts:** trust companies, as trustees, set up special purpose vehicles with the underlying assets of asset securitisation to provide entrusted services for the underlying assets. As at 31 December 2022, SITC, as the initiator and trustee of asset-backed securities, had set up five asset-backed securities projects with a cumulative scale of RMB9.202 billion, involving ABN, CMBS, CMBN, etc. During the business process, the Company has established good cooperative relations with financial institutions including large securities companies, large commercial banks and many high-quality state-owned enterprises, and accumulated some experience in the screening and construction of underlying assets, asset transfer, information disclosure and trust affairs management. In the future, the Company will continuously improve its capabilities in asset pool construction, product structure design and pricing, and actively extend to underwriting, investment and other fields.

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

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

In 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 and, acquired liquidity through the transfer of equity interest in Fullgoal Fund Management Co., Ltd. (“**Fullgoal Fund**”), and enhanced 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 RMB630.5 million from its proprietary business in 2022, representing a year-on-year decrease of 55.9%, mainly due to (i) the change from investment income of RMB272.9 million in 2021 to an investment loss of RMB2,342.8 million in 2022; (ii) the decrease in interest income from RMB539.7 million in 2021 to RMB61.3 million in 2022; (iii) the decrease in share of results from investments in associates accounted for using the equity accounting method from RMB481.3 million in 2021 to RMB177.0 million in 2022. The above changes were partially offset by (i) the increase in net gains on disposal of associates from RMB333.9 million in 2021 to RMB2,686.1 million in 2022; (ii) the change in net changes in fair value of financial assets at fair value through profit or loss and investments in associates measured at fair value from a loss of RMB206.9 million in 2021 to a gain of RMB40.2 million in 2022.



### *Allocation of Proprietary Assets*

Pursuant to the Administrative Measures on Trust Companies (《信託公司管理辦法》) issued by the China Banking and Insurance Regulatory Commission (“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 of Directors. The Company makes strategic long-term investments in a number of financial institutions, which helps to establish stronger business relationships with these financial institutions and create synergies for its operations. The Company also invests its proprietary assets in various types of equity products, such as listed shares and mutual funds, as well as wealth management products. The Company keeps a reasonable amount of its proprietary assets in highly liquid form, such as deposits at banks and other financial institutions and government bonds in order to maintain the Company’s liquidity and satisfy capital requirement for the expansion of its trust business.



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

	<b>As at 31 December</b>	
	<b>2022</b>	<b>2021</b>
	<i>(RMB in thousands)</i>	
<b>Investments in monetary assets</b>	<b>2,535,524</b>	2,045,734
Deposit at banks	<b>405,298</b>	77,253
Other monetary assets	<b>1,803,005</b>	1,299,674
Government bonds purchased under agreements to resell	<b>327,221</b>	668,807
<b>Securities Investments</b>	<b>8,405,423</b>	7,058,604
<i>Investment in equity products</i>	<b>1,515,532</b>	944,559
Listed shares classified as:		
– financial assets at FVTPL	<b>43,366</b>	7,809
Subtotal	<b>43,366</b>	7,809
Mutual funds classified as:		
– financial assets at FVTPL	<b>1,472,166</b>	936,750
Subtotal	<b>1,472,166</b>	936,750
<i>Investment in wealth management products</i>		
Investments in consolidated trust schemes	<b>1,323,148</b>	4,817,676
Investment in unconsolidated trust schemes classified as financial assets at FVTPL	<b>725,660</b>	213,994
Investment in unconsolidated trust schemes classified as financial investments - amortised cost	<b>187,436</b>	–
Other financial investment classified as financial investments - amortised cost	<b>3,645,299</b>	887,634
Bond Investments	<b>320,707</b>	–

	<b>As at 31 December</b>	
	<b>2022</b>	2021
	<i>(RMB in thousands)</i>	
Asset management products	<b>687,641</b>	194,741
<b>Long-Term Equity Investments</b>	<b>1,071,650</b>	2,245,272
Investment accounted for using the equity method	<b>515,703</b>	1,705,702
Investment classified as financial assets at FVTPL	<b>555,947</b>	539,570
<b>Proprietary Loans</b>	<b>107,580</b>	1,687,504
<b>Trust Industry Protection Fund</b>	<b>108,895</b>	104,500
<b>Assets classified as held for sale</b>	<b>675,178</b>	–
<b>Total</b>	<b><u>12,904,250</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>As at 31 December</b>	
	<b>2022</b>	2021
	<i>(RMB in thousands)</i>	
<b>Investment in monetary assets</b>		
– Deposit at banks	<b>405,298</b>	77,253
– Other monetary assets	<b>1,803,005</b>	1,299,674
– Government bonds purchased under agreements to resell	<b>327,221</b>	668,807
<b>Total</b>	<b><u>2,535,524</u></b>	<b><u>2,045,734</u></b>

**Year ended 31 December**  
**2022**                      2021  
*(RMB in thousands)*

<b>Interest income generated from:</b>		
– Deposit at banks	<b>966</b>	6,265
– Government bonds purchased under agreements to resell	<b>21,042</b>	<u>12,512</u>
<b>Total</b>	<b><u>22,008</u></b>	<b><u>18,777</u></b>

Average investment return of the Company’s monetary assets (calculated as the total of investment income (in terms of interest income received), annualised as a percentage of average investment balance in such monetary assets, where appropriate) was 1.4% and 1.0% for the year ended 31 December 2021 and for the year ended 31 December 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>Year ended 31 December</b>	
	<b>2022</b>	2021
	<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
– Bond Investments	<b>Medium</b>	N/A
– Asset management products	<b>Medium</b>	Medium
<b>Average investment balance<sup>(1)</sup></b>		
– Equity products	<b>1,230.0</b>	826.7
– Trust schemes	<b>3,634.0</b>	5,134.4
– Financial investments - amortised cost	<b>2,266.5</b>	443.8
– Bond Investments	<b>160.4</b>	–
– Asset management products	<b>441.2</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 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 48.8% from RMB826.7 million in 2021 to RMB1,230.0 million in 2022; the average balance of investments in trust schemes decreased by 29.2% from RMB5,134.4 million in 2021 to RMB3,634.0 million in 2022; the average balance of the financial investments - amortised cost increased by 410.7% from RMB443.8 million in 2021 to RMB2,266.5 million in 2022; the average investment balance of bond investments in 2022 was RMB160.4 million; and the average balance of investments in asset management products increased by 196.7% from RMB148.7 million in 2021 to RMB441.2 million in 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 31 December 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.

<b>Name</b>	<b>Main business</b>	<b>Equity interest as at 31 December 2022</b>	<b>Board seat</b>	<b>First investment date</b>	<b>Accounting treatment</b>
Sinotruk Auto Finance Co., Ltd.	Automobile financing	6.52%	Yes	September 2015	Investments accounted for using the equity accounting method
Taishan Property & Casualty Insurance Co., Ltd.	Insurance products and services	7.40%	Yes	December 2010	Investments accounted for using the equity accounting method
Dezhou Bank Co., Ltd.	Commercial banking	2.37%	Yes	November 2009	Investments accounted for using the equity accounting method
Minsheng Securities Co., Ltd.	Securities brokerage, securities asset management and proprietary investment	1.16%	No	January 1999	Financial assets at FVTPL

The Company uses the equity accounting 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 accounting 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>As at 31 December</b>	
	<b>2022</b>	2021
	<i>(RMB in thousands)</i>	
<b>Long-term equity investments, accounted for:</b>		
– As associate accounted for using the equity accounting method	<b>515,703</b>	1,705,702
– Investment categorised as financial assets at FVTPL	<b>555,947</b>	539,570
<b>Total</b>	<b><u>1,071,650</u></b>	<b><u>2,245,272</u></b>
	<b>Year ended 31 December</b>	
	<b>2022</b>	2021
	<i>(RMB in thousands)</i>	
<b>Dividend income generated from:</b>		
– As associate accounted for using the equity accounting method	<b>233,450</b>	120,394
– Investment categorised as financial assets at FVTPL	<b>5,609</b>	14,166
<b>Total</b>	<b><u>239,059</u></b>	<b><u>134,560</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 6.4% and 14.4% for the year ended 31 December 2021 and the year ended 31 December 2022, respectively. The increase in average return on long-term equity investments in 2022 as compared to that of 2021 was primarily due to the increase in dividend income from the associates of the Company in 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 31 December 2022, the outstanding balance of the Company's proprietary loans decreased from RMB1,687.5 million to RMB107.6 million, respectively. During the Reporting Period, the Company has completed the transfer of the proprietary loan (i.e. the rights to claim the non-performing debts and the rights to enforce the collaterals of the non-performing debts under the trust loan agreements and guarantee agreements in connection with the Ruiyuan No.76 Trust Scheme (the "**Ruiyuan No.76 Debt**")) 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 CBIRC in December 2014, trust companies are required to subscribe for a certain amount of the protection fund when conducting business. The Company's interests in the Trust Industry Protection Fund increased by 4.2% from RMB104.5 million as at 31 December 2021 to RMB108.9 million as at 31 December 2022.

### **3.3 Financial Overview**

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

In 2022, the net profit attributable to shareholders of the Company amounted to RMB280.4 million, which decreased by RMB188.1 million as compared to the corresponding period of last year, representing a decrease of 40.1%.

### 3.3.1 Results of Operations

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

	<b>Year ended 31 December</b>	
	<b>2022</b>	2021
	<i>(RMB in thousands)</i>	
Fee and commission income	<b>990,286</b>	829,727
Interest income	<b>62,741</b>	540,793
Net changes in fair value on financial assets at FVTPL and investments in associates measured at fair value	<b>40,218</b>	(206,893)
Investment (loss)/income	<b>(2,342,761)</b>	272,877
Net gains on disposal of associates	<b>2,686,123</b>	333,949
Other operating income	<b>8,589</b>	8,243
<b>Total operating income</b>	<b>1,445,196</b>	1,778,696
Interest expenses	<b>(139,362)</b>	(552,096)
Staff costs (including directors and supervisors' emoluments)	<b>(144,744)</b>	(144,038)
Depreciation and amortisation	<b>(39,539)</b>	(16,490)
Change in net assets attributable to other beneficiaries of consolidated structured entities	<b>35,053</b>	(151,455)
Tax and surcharges	<b>(12,912)</b>	(12,701)
Administrative expenses	<b>(109,301)</b>	(93,251)
Auditor's remuneration	<b>(1,415)</b>	(1,415)
Provision for expected credit losses on financial assets, net of reversal	<b>(618,727)</b>	(823,432)
<b>Total operating expenses</b>	<b>(1,030,947)</b>	(1,794,878)
<b>Operating profit/(loss)</b>	<b>414,249</b>	(16,182)
Share of results of investments in associates accounted for using the equity accounting method	<b>176,985</b>	481,324
<b>Profit before income tax</b>	<b>591,234</b>	465,142
Income tax (expense)/credit	<b>(310,805)</b>	3,377
<b>Net profit attributable to shareholders of the Company</b>	<b>280,429</b>	468,519



### 3.3.2 Total Operating Income

#### *Fee and Commission Income*

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

	<b>Year ended 31 December</b>	
	<b>2022</b>	<b>2021</b>
	<i>(RMB in thousands)</i>	
<b>Fee and commission income from:</b>		
Trustee's remuneration	<b>961,864</b>	829,727
Others	<b>28,422</b>	–
<b>Total</b>	<b><u>990,286</u></b>	<b><u>829,727</u></b>

The Group's fee and commission income in 2022 was RMB990.3 million, representing an increase of 19.4% as compared to RMB829.7 million in 2021. Such increase was primarily due to an increase in the Group's trustee's remuneration, which was caused by an increase in the AUM of the Company in 2022.

#### *Interest Income*

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

	<b>Year ended 31 December</b>	
	<b>2022</b>	<b>2021</b>
	<i>(RMB in thousands)</i>	
<b>Interest income from:</b>		
Cash and bank balances	<b>2,365</b>	6,704
Loans to customers	<b>28,432</b>	519,747
Financial investments - amortised cost	<b>10,399</b>	112
Financial assets purchased under resale agreements	<b>21,042</b>	13,167
Contribution to Trust Industry Protection Fund	<b>503</b>	1,063
<b>Total</b>	<b><u>62,741</u></b>	<b><u>540,793</u></b>

The Group's interest income in 2022 was RMB62.7 million, representing a decrease of 88.4% as compared to RMB540.8 million in 2021. Such decrease was primarily due to the decrease in the balance of the loans to customers, and the decrease of 94.5% in interest income recorded in the loans to customers of the Group from RMB519.7 million in 2021 to RMB28.4 million in 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 RMB206.9 million in 2021, and a gain of RMB40.2 million in 2022, primarily due to the fact that the Group disposed of stocks, mutual funds and other financial products in 2021, and transferred the income from changes in fair value recognised in previous years to investment income.

*Investment (Loss)/Income*

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

	<b>Year ended 31 December</b>	
	<b>2022</b>	<b>2021</b>
	<i>(RMB in thousands)</i>	
<b>Dividends income from:</b>		
Financial assets at FVTPL	<b>15,807</b>	59,841
<b>Net realised (losses)/gains from disposal of:</b>		
Financial assets at FVTPL	<b>82,215</b>	213,036
Financial assets – amortised cost	<b>30,000</b>	–
Investment in artworks	<b>16,721</b>	–
Loans to customers	<b>(2,487,504)</b>	–
	<b>(2,358,568)</b>	213,036
<b>Total</b>	<b>(2,342,761)</b>	<b>272,877</b>

The Group recorded an investment loss of RMB2,342.8 million in 2022, compared to an investment income of RMB272.9 million recorded in 2021. Such decrease was due to (i) the decrease in the trading volume of listed shares, mutual funds and other financial products held by the Group in 2022; (ii) the loss of RMB2,487.5 million incurred from the disposal of Ruiyuan No.76 Debt and Ruiyuan No.61 Debt (i.e. the rights to claim the non-performing debts and the rights to enforce the collaterals of the non-performing debts under the trust loan agreements and guarantee agreements in connection with the Ruiyuan No.61 Trust Scheme) by the Group in 2022.

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

In 2022, the equity interest in the associates and the associates held by the specific consolidated structured entities which were accounted for by the Group using the equity accounting method were disposed of, and the Group realised a net gain of RMB2,686.1 million, increased by RMB2,352.2 million as compared to the gain of RMB333.9 million in 2021, mainly due to the realisation of RMB2,673.4 million from the disposal of equity interest in the associates (ie. the equity interest in Fullgoal Fund) in 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 2022 were RMB139.4 million, representing a decrease of 74.8% as compared to RMB552.1 million in 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>Year ended 31 December</b>	
	<b>2022</b>	<b>2021</b>
	<i>(RMB in thousands)</i>	
Salaries and bonuses	<b>98,515</b>	105,967
Pension costs (defined contribution plans)	<b>17,018</b>	13,408
Housing funds	<b>9,387</b>	7,089
Labour union fee and staff education expenses	<b>2,435</b>	2,561
Other social security and benefit costs	<b>17,389</b>	15,013
<b>Total</b>	<b><u>144,744</u></b>	<b><u>144,038</u></b>

The Company's staff costs in 2022 were RMB144.7 million, representing an increase of 0.5% as compared to RMB144.0 million in 2021, which is basically the same as last year.

*Provision for Expected Credit Losses on Financial Assets, Net of Reversal*

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

	<b>Year ended 31 December</b>	
	<b>2022</b>	<b>2021</b>
	<i>(RMB in thousands)</i>	
Loans to customers	<b>445,222</b>	650,231
Financial investments - amortised cost	<b>170,272</b>	187,471
Trustee's remuneration receivable	<b>1,603</b>	(10,739)
Others	<b>1,630</b>	(3,531)
<b>Total</b>	<b><u>618,727</u></b>	<b><u>823,432</u></b>

The provision for expected credit losses on financial assets, net of reversal of the Group decreased by 24.9% from RMB823.4 million in 2021 to RMB618.7 million in 2022, which was primarily due to the fact that in 2022, the Group has disposed of some non-performing debts through asset transfer, which further strengthened risk prevention and control and improved asset quality, resulting a reduction in the impairment losses.

*Share of Results of Investments in Associates Accounted for using the Equity Accounting Method*

The Group's share of results of investments in associates accounted for using the equity accounting method decreased by 63.2% from RMB481.3 million in 2021 to RMB177.0 million in 2022, primarily due to (i) the decrease in net profit of certain investees accounted for by equity method; and (ii) the transfer of equity interest in Fullgoal Fund by the Group through public tender process in the first half of 2022, which was completed in December 2022.

*Profit before Income Tax and Operating Margin*

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

	<b>Year ended 31 December</b>	
	<b>2022</b>	2021
	<i>(RMB in thousands)</i>	
Profit before income tax	<b>591,234</b>	465,142
Operating margin <sup>(1)</sup>	<b>40.9%</b>	26.2%

*Note:*

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

As a result of the foregoing, the Group's profit before income tax increased by 27.1% from RMB465.1 million in 2021 to RMB591.2 million in 2022, and the Group's operating profit margin increased from 26.2% in 2021 to 40.9% in 2022.

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

The Company recorded an income tax credit of RMB3.4 million in 2021, compared to an income tax expense of RMB310.8 million in 2022, primarily due to the increase in income tax expenses for the disposal of associates by the Group in 2022.

### *Net Profit Attributable to Shareholders of the Company and Net Profit Margin*

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

	<b>Year ended 31 December</b>	
	<b>2022</b>	<b>2021</b>
	<i>(RMB in thousands)</i>	
Net profit attributable to shareholders of the Company	<b>280,429</b>	468,519
Net profit margin <sup>(1)</sup>	<b>19.4%</b>	26.3%

*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 decreased from RMB468.5 million in 2021 to a of RMB280.4 million in 2022. The Group's net profit margin decreased from 26.3% in 2021 to 19.4% in 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>Year ended 31 December</b>	
	<b>2022</b>	<b>2021</b>
	<i>(RMB in thousands)</i>	
<b>Trust business:</b>		
Operating income	<u>991,686</u>	<u>830,812</u>
Segment income	<u><b>991,686</b></u>	<u><b>830,812</b></u>
<b>Proprietary business:</b>		
Operating income	453,510	947,884
Share of results of investments in the associates accounted for using equity accounting method	<u>176,985</u>	<u>481,324</u>
Segment income	<u><b>630,495</b></u>	<u><b>1,429,208</b></u>

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

	<b>Year ended 31 December</b>	
	<b>2022</b>	<b>2021</b>
	<i>(RMB in thousands)</i>	
Trust business	(291,815)	(248,930)
Proprietary business	<u>(739,132)</u>	<u>(1,545,948)</u>
<b>Total operating expenses</b>	<u><b>(1,030,947)</b></u>	<u><b>(1,794,878)</b></u>

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

	<b>Year ended 31 December</b>	
	<b>2022</b>	<b>2021</b>
	<i>(RMB in thousands)</i>	
Trust business	<b>699,871</b>	581,882
Proprietary business	<b>(108,637)</b>	(116,740)
<b>Total profit before income tax</b>	<b><u>591,234</u></b>	<b><u>465,142</u></b>

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

	<b>Year ended 31 December</b>	
	<b>2022</b>	<b>2021</b>
	<i>(RMB in thousands)</i>	
Trust business	<b>70.6%</b>	70.0%
Proprietary business	<b>(17.2%)</b>	(8.2%)

### ***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 20.3% from RMB581.9 million in 2021 to RMB699.9 million in 2022, primarily due to an increase of 19.4% in the segment income from the trust business from RMB830.8 million in 2021 to RMB991.7 million in 2022, partially offset by an increase of 17.2% in segment operating expenses from the trust business from RMB248.9 million in 2021 to RMB291.8 million in 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 RMB829.7 million in 2021 to RMB990.3 million in 2022.
- (2) The increase in the segment operating expenses from the trust business was mainly due to (i) an increase in depreciation and amortisation related to the trust business of the Group from RMB15.1 million in 2021 to RMB39.2 million in 2022; (ii) an increase in administrative expenses related to the Group's trust business from RMB85.1 million in 2021 to RMB108.4 million in 2022.

As a result of the foregoing, the segment margin of the trust business increased from 70.0% in of 2021 to 70.6% in 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 (loss)/income, net gains on disposal of associates and share of results of investments in associates accounted for using the equity accounting method. The segment operating expenses of the Group's proprietary business mainly consists of the trust benefits that the Group's consolidated financing trust schemes expect to distribute to third-party beneficiaries, staff costs, depreciation and amortisation, change in net assets attributable to other beneficiaries of consolidated structured entities, tax and surcharges and provision for expected credit losses on financial assets, net of reversal.

The segment loss before income tax for the Group's proprietary business decreased from a loss of RMB116.7 million in 2021 to RMB108.6 million of loss in 2022, primarily due to a decrease of 55.9% in the segment income from the proprietary business from RMB1,429.2 million in 2021 to RMB630.5 million in 2022, and a corresponding decrease of 52.2% in the segment operating expenses from the proprietary business from RMB1,545.9 million in 2021 to RMB739.1 million in 2022.

The decrease in the segment operating expenses from the proprietary business was mainly due to: (i) the decrease in interest expense from RMB552.1 million in 2021 to RMB139.4 million in 2022; (ii) a decrease in the provision for expected credit losses on financial assets, net of reversal from RMB823.4 million in 2021 to RMB618.7 million in 2022; (iii) a change in positive change in net assets attributable to other beneficiaries of consolidated structured entities from RMB151.5 million in 2021 to a negative change in net assets of RMB35.1 million in 2022.

The decrease in segment income from the proprietary business was mainly due to: (i) the change in investment income from an income of RMB272.9 million in 2021 to a loss of RMB2,342.8 million in 2022; (ii) a decrease in the interest income from RMB539.7 million in 2021 to RMB61.3 million in 2022; (iii) the decrease in share of results from investments in associates accounted for using the equity accounting method from RMB481.3 million in 2021 to RMB177.0 million in 2022, partially offset by (i) the increase in net gains on disposal of associates from RMB333.9 million in 2021 to RMB2,686.1 million in 2022; (ii) the change in net changes in fair value of financial assets at fair value through profit or loss and investments in associates measured at fair value from a loss of RMB206.9 million in 2021 to a gain of RMB40.2 million in 2022.

As a result of the foregoing, the segment margin of the Group's proprietary business changed from -8.2% in 2021 to -17.2% in 2022.

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

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

## Assets

As at 31 December 2021 and 31 December 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 RMB14,458.1 million, respectively, of which the total assets of the Company amounted to RMB14,271.3 million and RMB14,065.9 million, respectively. The Group's major assets consist of (i) loans to customers, (ii) financial investments - amortised cost, (iii) investments in associates, (iv) financial assets at FVTPL, (v) cash and bank balances, (vi) trustee's remuneration receivable, (vii) financial assets purchased under resale agreements, and (viii) assets classified as held for sale. As at 31 December 2022, the above-mentioned major assets accounted for 7.1%、26.5%、6.2%、28.2%、15.5%、1.0%、2.5% and 4.7% 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>As at 31 December</b>	
	<b>2022</b>	<b>2021</b>
	<i>(RMB in thousands)</i>	
Corporate loans-at amortised cost	<b>1,238,308</b>	11,400,623
Including: issued by the Company	<b>115,000</b>	2,000,000
issued by consolidated structured entities	<b>1,123,308</b>	9,400,623
Interest receivable	<b>15,709</b>	193,609
<b>Loans to customers, gross</b>	<b>1,254,017</b>	11,594,232
Less: Expected credit loss allowance – loans	<b>(229,179)</b>	(2,057,573)
Expected credit loss allowance – interest receivable	<b>(867)</b>	(149,779)
<b>Loans to customers, net</b>	<b>1,023,971</b>	9,386,880
Presented as:		
Non-current assets	<b>523,911</b>	8,214,294
Current assets	<b>500,060</b>	1,172,586
<b>Loans to customers, net</b>	<b>1,023,971</b>	9,386,880

During the Reporting Period, the majority of the Group's loans to customers were granted to corporate customers by the Company's consolidated trust schemes.

During the Reporting Period, the Company transferred Ruiyuan No. 76 Debt and Ruiyuan No. 61 Debt. After the completion of the debt transfer, the loans to customers were reduced by RMB6,650.6 million. At the same time, during the Reporting Period, the Company made an distribution in original state of some of the consolidated trust schemes of the Company, transferring the loans to customers of RMB2,761.0 million to financial investment-amortised cost.

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 96.1% from RMB9,789.2 million as at 31 December 2021 to RMB377.6 million as at 31 December 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 31 December 2022 were RMB7,926.1 million and RMB267.5 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 RMB176.3 million for these impaired loans as at 31 December 2021 and 31 December 2022, respectively, representing 20.3% and 46.7% 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. The gross amount of such impaired loans represented 85.9% and 30.5% of the Group's gross loans to customers as at 31 December 2021 and 31 December 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. As at 31 December 2022, the gross amount of proprietary loans and the net amount of proprietary loans of the Company accounted for 9.3% and 10.6% of the gross amount of the Group's loans to customers and the net amount of the Group's loans to customers, respectively.

The following table sets forth the gross amount of the Company's proprietary loans, interest receivable, expected credit 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>As at 31 December</b>	
	<b>2022</b>	2021
	<i>(RMB in thousands)</i>	
Corporate loans - at amortised cost	<b>115,000</b>	2,000,000
Interest receivable	<b>297</b>	149,779
<b>Loans to customers, gross</b>	<b>115,297</b>	2,149,779
Less: Expected credit loss allowance – Loans	<b>7,697</b>	(312,496)
Expected credit loss allowance – Interest receivable	<b>20</b>	(149,779)
<b>Loans to customers, net</b>	<b>107,580</b>	1,687,504
Presented as:		
Non-current assets	<b>107,580</b>	1,687,504
Current assets	–	–
	<u>–</u>	<u>–</u>
<b>Loans to customers, net</b>	<b><u>107,580</u></b>	<b><u>1,687,504</u></b>

*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>As at 31 December</b>	
	<b>2022</b>	2021
	<i>(RMB in thousands)</i>	
Financial investments - amortised cost	<b>6,005,545</b>	1,090,714
Interest receivable	<b>3,359</b>	–
<b>Financial investments - amortised cost, gross</b>	<b>6,008,904</b>	1,090,714
Less: Expected credit loss allowance – financial investments - amortised cost	<b>(2,176,002)</b>	(203,080)
Expected credit loss allowance – interest receivable	<b>(167)</b>	–
<b>Financial investments - amortised cost, net</b>	<b><u>3,832,735</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 Interest as at 31 December 2022</b>	<b>As at 31 December</b>	
		<b>2022</b>	2021
		<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)	<b>7.40%</b>	<b>171,033</b>	199,435
Sinotruk Auto Finance Co., Ltd. (重汽汽車金融有限公司)	<b>6.52%</b>	<b>218,079</b>	209,241
Dezhou Bank Co., Ltd. (德州銀行股份有限公司)	<b>2.37%</b>	<b>122,823</b>	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)	<b>25.00%</b>	<b>3,768</b>	3,090
<b>Gross amount</b>		<b>515,703</b>	1,705,702
Less: Impairment		–	–
<b>Subtotal</b>		<b>515,703</b>	1,705,702

	<b>Equity Interest as at 31 December 2022</b>	<b>As at 31 December 2022      2021 (RMB in thousands)</b>	
<b>Associates indirectly held by the Group through consolidated structured entities, measured at equity accounting method:</b>			
Others		–	19,284
<b>Gross amount</b>		–	19,284
Less: Impairment		–	(2,000)
<b>Subtotal</b>		–	17,284
<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>97,585</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>152,320</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>60,104</b>	63,059
Ankang Liangsheng Jiye Property Co., Ltd. (安康梁盛基業置業有限公司)		–	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>49,571</b>	27,928

	<b>Equity Interest as at 31 December 2022</b>	<b>As at 31 December 2022      2021 (RMB in thousands)</b>	
Weifang Hengru Real Estate Co., Ltd. (潍坊恒儒置业有限公司)	<b>15.00 %</b>	<u>27,824</u>	<u>16,820</u>
<b>Subtotal</b>		<b><u>387,404</u></b>	<b><u>349,318</u></b>
<b>Total</b>		<b><u>903,107</u></b>	<b><u>2,072,304</u></b>

*Note:*

- (1) In 2022, the Company transferred the equity interest in Fullgoal Fund through public tender procedures. The equity transfer has been completed on 28 December 2022.

*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>As at 31 December 2022      2021 (RMB in thousands)</b>	
Listed shares	<b>43,366</b>	7,809
Equity investments in unlisted entities	<b>596,214</b>	1,213,665
Asset management products	<b>697,701</b>	194,741
Mutual funds	<b>1,472,194</b>	1,032,197
Bonds	<b>390,546</b>	388,825
Investments in trust schemes	<b>773,060</b>	213,994
Investments in Trust Industry Protection Fund	<b><u>109,881</u></b>	<u>113,228</u>
<b>Total</b>	<b><u>4,082,962</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 29.0% from RMB3,164.5 million on 31 December 2021 to RMB4,083.0 million on 31 December 2022, primarily due to (i) the increase in investment in asset management products; (ii) the increase in the investments in mutual funds; (iii) the increase in the investments in trust schemes, partially offset by (iv) the decrease in the investments in equity investments in unlisted entities.

#### *Cash and Bank Balances*

As at 31 December 2021 and 31 December 2022, the Group's cash and bank balances amounted to RMB1,586.6 million and RMB2,240.6 million, respectively, of which RMB1,376.9 million and RMB2,208.3 million, respectively, were proprietary assets of the Company, and the remaining was cash and bank balance of the Group's consolidated trust schemes.

#### *Trustee's Remuneration Receivable*

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 26.0% from RMB200.1 million on 31 December 2021 to RMB148.1 million on 31 December 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 28 February 2023, 26.9% 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 decreased by 48.8% from RMB697.6 million on 31 December 2021 to RMB357.3 million on 31 December 2022. These changes were due to the flexible adjustment of the business scale of the Group's based on the overall market condition and interest rates, and such adjustment resulted in a change in the amounts of the Company's government bond purchased under agreements to resell as at 31 December 2021 and 31 December 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 CBIRC 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 RMB3.5 million as at 31 December 2021 and 31 December 2022, respectively, among which RMB8.9 million and RMB2.9 million were classified as non-current assets, and RMB2.7 million and RMB0.6 million were classified as current assets. Instead of collecting such amounts from the counterparty clients before the liquidation of the financing trusts, the Company recovers such amounts from distributions to be made by the Trust Industry Protection Fund upon termination of the financing trusts. At the end of the Reporting Period, the Company has not encountered any difficulties in recovering such amounts from distributions made by the Trust Industry Protection Fund upon termination of the Company's financing trusts.

#### *Assets Classified as Held for Sale*

In 2022, the Company transferred its equity interest in Shandong Financial Asset Management Co., Ltd. (“**Shandong AMC**”) and an associate. As at 31 December 2022, the equity transfers have not been completed. In accordance with the relevant requirements of IFRS, the Company recorded them as assets classified as held for sale, with carrying amount of RMB675.2 million. The equity transfer of Shandong AMC was completed on 6 February 2023.

#### *Liabilities*

As at 31 December 2021 and 31 December 2022, the Group's total liabilities amounted to RMB8,411.3 million and RMB3,528.1 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 31 December 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 portions) and other current liabilities accounted for 6.9%, 56.8%, 2.4% and 24.9% 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 95.4% from RMB5,285.0 million on 31 December 2021 to RMB243.9 million on 31 December 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 31 December 2022, the Group's short-term borrowings of RMB2,005.3 million were interest-bearing loans from China Trust Protection Fund Co., Ltd. The principal and interest of the loans of RMB1,416.0 million in aggregate due in January and March 2023 have been repaid, and the remaining loans will fall due in April 2023.

### *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 and other tax payable.

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 RMB299.3 million as at 31 December 2022.

The Company's deferred trustee's remuneration decreased from RMB30.8 million on 31 December 2021 to RMB20.5 million on 31 December 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 31 December 2022, the outstanding VAT for trusts and the related surcharges amounted to RMB27.5 million.

#### *Off-balance Sheet Arrangements*

As at 31 December 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 fulfil 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 year ended 31 December 2022, the Company had consolidated 32 and 19 of the trust schemes under its management, respectively, and the total trust assets of these consolidated trust schemes were RMB10,427.6 million and RMB1,892.4 million, respectively. The following table sets forth changes in the number of the Group's consolidated trust schemes during the Reporting Period:

	<b>Year ended 31 December</b>	
	<b>2022</b>	2021
<b>Beginning:</b>	<b>32</b>	50
Newly consolidated trust schemes	<b>1</b>	5
Deconsolidated trust schemes	<b>14</b>	23
<b>Ending:</b>	<b>19</b>	32

The consolidation of these trust schemes 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 as at the dates indicated:

	<b>As at 31 December</b>	
	<b>2022</b>	2021
	<i>(RMB in millions)</i>	
Total assets of the Company	<b>14,066</b>	14,271
Total assets of consolidated trust schemes	<b>1,892</b>	10,428
Consolidation adjustment	<b>(1,500)</b>	(5,636)
<b>Total assets of the Group</b>	<b><u>14,458</u></b>	<b><u>19,063</u></b>

However, the impact on the Group's total assets largely corresponded to the 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 as at the dates indicated:

	<b>As at 31 December</b>	
	<b>2022</b>	2021
	<i>(RMB in millions)</i>	
Total liabilities of the Company	<b>3,207</b>	3,695
Total liabilities of consolidated trust schemes	<b>234</b>	10,428
Consolidation adjustment	<b>87</b>	(5,712)
	<u>          </u>	<u>          </u>
<b>Total liabilities of the Group</b>	<b><u>3,528</u></b>	<b><u>8,411</u></b>

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

	<b>As at 31 December</b>	
	<b>2022</b>	2021
	<i>(RMB in millions)</i>	
Total equity of the Company	<b>10,859</b>	10,576
Consolidation adjustment	<b>71</b>	76
	<u>          </u>	<u>          </u>
<b>Total equity of the Group</b>	<b><u>10,930</u></b>	<b><u>10,652</u></b>

The consolidation of these trust schemes also affected the Group's results of operations. For example, all trustees' remunerations which the Company was entitled to from these consolidated trust schemes were eliminated as a result of consolidation and thereby reduced the Company's fee and commission income. In addition, the consolidation of these trust schemes increased the Group's interest income due to inclusion of interest income generated from loans granted by the Group's consolidated trust schemes. It also increased the Group's interest expense which represented interest income of



the Group's consolidated financing trust schemes that were expected to be distributed to third-party beneficiaries of such trust schemes. 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>Year ended 31 December</b>	
	<b>2022</b>	2021
	<i>(RMB in millions)</i>	
Net profit attributable to the shareholders of the Company before consolidation of trust schemes	<b>284</b>	484
Impact of consolidation of trust schemes	<u><b>(4)</b></u>	<u>(15)</u>
<b>Net profit attributable to the shareholders of the Group after consolidation of trust schemes</b>	<u><b>280</b></u>	<u>469</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 test and the Company is required to consider all the relevant factors as a whole.

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

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

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

### **3.4 Risk Management**

#### ***Overview***

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

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

The integrated risk management organisational structure of the Company is included in every level of the Company's corporate governance, including (1) the shareholders' general meeting; (2) the Board of Directors and Strategies and Risk Management Committee, Audit Committee and Business Decision Committee thereof; (3) the Board of Supervisors of the Company (the "**Board of Supervisors**"); (4) the General Manager's Office Meeting; (5) the Trust Business Review Committee/Capital Market 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, Capital Market Business Review Centre, Trust Finance Department (Operation Centre), Financial Management Department, Information Technology Department, Asset Supervision Centre, Supervision and Audit Department, Asset Disposition Department and Proprietary Business Management Department. Finally, all trust business departments of the Company are required to assume primary risk management responsibilities.

### ***3.4.2 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. 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 China Securities Regulatory Commission and the State Administration of Foreign Exchange jointly issued the Guiding

Opinions on Regulating Asset Management Business of Financial Institution (Yin Fa [2018] No. 106) (《關於規範金融機構資產管理業務的指導意見》(銀發[2018]106號)) to unify the regulatory standards of asset management business by product types, requiring, among other things, financial institutions including trust companies to carry out “de-channelling” 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-channelling”, 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 March 2023, the CBIRC issued the Notice on Regulating the Classification of Trust Business of Trust Companies, further clarifying the boundaries and service content of trust business, guiding trust companies to give play to institutional and industrial competitive advantages, while promoting the return of trust companies to their origins and standardised development for the high-quality development of the trust industry. However, the regulatory authorities may also restrict the development of certain businesses of trust companies from time to time, which may have an adverse effect on the Company’s business.

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

### *Business Lines and Product Mix*

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

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

## *Competition*

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

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



### *Interest Rate Environment*

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

- Changes in lending rates may affect the comparative financing costs for the Company's counterparty clients from different financing sources and thereby affect their willingness to carry out financings through the Company's trust products;
- Changes in deposit interest rates may affect the comparative investment returns to the Company's trustor clients from different investment options and thereby 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 fulfil contractual obligations. The credit risk of the Company arises from the Company's trust business and proprietary business.



During the Reporting Period, the Company was 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 of Directors and the senior management, the Company focused on facilitating the realisation of strategic goals by improving credit risk management system and system establishment and reinforcing risk management over key areas so as to control and mitigate credit risks in full swing.

#### *Credit Risk Management on Trust Business*

The credit risk of the Company's trust business mainly refers to the risk that the Company, as the trustee, fails to receive the Company's due remuneration which is agreed in the trust contracts. The majority of the Company's trusts are financing trusts, under which the failure of fulfilling the repayment obligations by the counterparty clients of the Company, or the ultimate financiers, will negatively affect the Company's ability to receive its remuneration. The Company assesses and manages such default risk through comprehensive due diligence, stringent internal approval and trust establishment procedures as well as ex-post inspections and monitoring. During the Reporting Period, the Company used its intelligent risk control system, which is independently designed and developed, and realised online measurement and independent rating of some trust businesses, effectively improving the Company's investment decision-making ability and risk management level. Meanwhile, the Company obtains third party guarantee and collateral as credit enhancements in order to mitigate the default risk by financiers and the Company may ask for additional collaterals in case the value of the original collaterals become insufficient. Under circumstances where the Company assesses the likelihood of such default becomes relatively high, the Company may take necessary remedy and disposition measures in a timely manner to minimise the potential loss.

### *Credit Risk Management on Proprietary Business*

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

#### ***3.3.4 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. The Company holds sufficient unrestricted bank deposits and cash on hand to meet the capital requirements of the Company's day-to-day operations.

### ***3.4.6 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 aspect of the daily operation of the Company.

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

### ***3.4.7 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 Supervision and 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 (《聲譽風險管理辦法》). During the Reporting Period, the Company enhanced customer loyalty with its outstanding wealth management capability and at the same time, promoted its external publicity, actively performed social responsibilities and created multiple channels to communicate with the regulatory authorities, media, public and other stakeholders to strengthen the Company's core corporate values of "Professionalism, Integrity, Diligence and Accomplishment".

### ***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 strengthen the education of legal awareness and carried out extensive educational activities for all of its employees to strengthen their sense of occupational integrity. The Company also designated specific legal positions and engaged legal advisers on annual basis to control the legal risks effectively.

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

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

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

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

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

### **3.5 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 regulation of Measures for the Administration of Net Capital of Trust Companies (《信託公司淨本管理辦法》) which was issued on the same day. Pursuant to this regulation, a trust company shall maintain its net capital at a level of no less than RMB200 million, the ratio of net capital to total risk-based capital at no less than 100%, and the ratio of net capital to net asset at no less than 40%. The Company reports the required capital information to the CBIRC on a quarterly basis.

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

As at 31 December 2022, the Company's net capital was approximately RMB8.753 billion, which is not less than RMB200 million; the total risk-based capital was approximately RMB2.767 billion; the ratio of net capital to total risk-based capital was 316.3%, which is not lower than 100%; and the ratio of net capital to net asset was 80.58%, which is not lower than 40%.

### **3.6 Future Prospect**

For a period of time in the future, the challenges of high inflation around the world will remain severe. The global economy will continue to be under pressure due to multiple factors such as the tightening of monetary policies of developed economies, geopolitical conflicts and energy shortages. Potential risks should not be ignored. The foundation for China's economic recovery is not yet solid. The triple pressure of shrinking demand, supply chain disruption and weakening expectations is still relatively high, and the external environment is volatile, which will aggravate the impact on China's economy. Despite such impact, China's economy has strong resilience, great potential and full vitality and various policies continue to show effectiveness. China is confident, eligible and capable to drive the overall improvement of economic operation.



The middle-income group in China with a larger scale and higher quality is still expanding, the wealth of residents continues to accumulate, the demand for wealth management is huge, and trust companies have broad development prospects and enormous market potential. The trust industry will adhere to the theme of promoting high-quality development, coordinate innovative development as well as prevent and resolve risks. It will continue to improve the ability to serve the real economy, vigorously expand the function of social wealth management services to actively assist people to live a better life, and walk out a unique development path in the process of promoting Chinese modernisation.

Guided by regulatory policies and the reform of the trust business classification, SITC will adhere to the pace of transformation and insist on returning to the origin of trust, continue to improve its ability to serve the real economy, make every effort to build the wealth management system of “allocation orientation” by seizing new opportunities in the development of the capital market, and accelerate the improvement of active management capabilities to expand the practice of green trust business, providing high-quality financial services for the development of the real economy and people’s better life and working together for a new pattern of high-quality development of the Company.

### 3.7 Key Tasks for 2023

In 2023, guided by the spirit of the 20th National Congress of the Communist Party of China, the Company will comply with regulatory guidance and market demand, strictly follow the classification of trust business and new regulations to develop businesses establish a red-line mentality while enhancing “three consciousness”<sup>1</sup> and adhering to the “four orientations”<sup>2</sup>, and take the initiative to overcome difficulties to comprehensively improve management efficiency and drive the business transformation for high-quality development of the Company.

**Firstly, the Company will insist on exploring the potential of multi-channels and build a pattern of “one body and two wings”.** The Company will steadily expand its equity investment trusts and its business coverage around state-owned enterprises and high-quality real estate enterprises, actively carry out customised non-standard product businesses for institutions, and increase the support for enterprises in the province. The trust development of standard product will be accelerated and the profit contribution of transformed business will be improved. Focusing on

---

1 That is, efficiency consciousness, competition consciousness and standard consciousness.

2 That is, goal-oriented, problem-oriented, result-oriented and assessment-oriented.



key areas such as active management products, securities service business and asset securitisation business, the Company will improve the layout of product lines and broaden cooperation channels, and enhance active management capabilities to drive revenue growth through scale expansion, while serving the trust sector and enhancing the business service. The Company will consolidate the industry position of our businesses such as family trust and charitable trust, increase direct sales of products and channel agency sales, complete the family trust product line to assist customers in the inheritance of family wealth, and enhance the brand competitiveness of “De Shan Qi Jia”. The Company will also further develop the public welfare and charity trust, and strive to guide wealth for good and contribute to common prosperity. While accelerating system development and construction with improved system functions and actively expanding cooperation channels for the increase in the amount of entrusted service trust of pre-paid funds, the Company will strengthen the synergy between its proprietary business and trust business, optimising the asset allocation structure of its proprietary business, and increasing the income from direct investment of its proprietary funds.

**Secondly, the Company will continue to deepen the transformation of wealth management and build a distinctive brand of wealth management.** The Company will continue to optimise the layout of outlets and enhance the construction of financial and accounting teams to further improve product marketing capabilities and customer service levels, vigorously expand institutional customers and agency sales channels, and focus on key institutions to establish closer strategic partnerships. The Company will also advance the construction of product serialisation and wealth branding, strengthen brand promotion and the brand awareness of SITC as a “respected professional wealth management institution based on asset allocation”, and strive to build a distinctive brand of wealth management of the Company.

**Thirdly, the Company will adhere to refined management and continue to improve the quality and efficiency of its operation.** The Company will insist on promoting the continuous deepening and implementation of refined management, regularly rectifying various new and old frauds, and improving the quality and efficiency of operation. It will deepen the three institutional reforms to establish and perfect the performance-based remuneration distribution mechanism oriented by “position value + performance contribution”, with a combination of strong incentives and hard constraints to give full play of the vitality of talents. We will further standardise customer service standards, strengthen training, standardise behaviours, refine processes to cater the needs of high-net-worth customers for standardised and personalised services, as well as reinforce the implementation of work supervision, establish the implementation mechanism of key work supervision, and regularly dispatch supervision according to the requirements of “lists of items, responsibilities of lists, and timeliness of responsibilities” to ensure implementation.

**Fourthly, the Company will adhere to high-quality risk control and continuously improve the comprehensive risk management system.** Coordinating development and safety to ensure stable performance with high-quality risk control, the Company will build a comprehensive risk management system to encourage the risk management culture of “comprehensive, full staff and whole process”, and build and improve the comprehensive risk management system based on the “four lines of defence” of business development, risk compliance, audit and discipline inspection and supervision. The Company will strictly control the access of projects with careful selection of counterparties and improved prevention and control of risks in advance. It will also work hard on the concentration risk management and control of projects, regularly carry out risk investigation by means of solid project oversight to effectively enhance the foresight of risk disposal.

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

The Company's profits for the year ended 31 December 2022 are set out in the section headed "3. Management Discussion and Analysis – 3.3 Financial Overview" in this results announcement.

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

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

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

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

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

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

## **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 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 the applicable laws and regulations and the articles of association of the Company (the “**Articles of Association**”), Mr. Ding Huiping ceased to serve as an independent non-executive Director due to the expiry of his term of office following the approval of Mr. Zheng Wei’s qualification by the Shandong Office of CBIRC.

Upon the recommendation of the Board of Directors, Ms. Zhang Haiyan has been elected as an independent non-executive Director at the 2022 third extraordinary general meeting of the Company held on 30 November 2022. The qualification of Ms. Zhang as an independent non-executive Director is subject to the approval of 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.

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

### **Change of Company Secretary**

Mr. Lee Kwok Fai Kenneth resigned from his positions as the joint company secretary, the authorised representative of the Company under Rule 3.05 of the Listing Rules and the agent for the acceptance of service of process and notices on behalf of the Company in Hong Kong under Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) due to work re-arrangement with effect from 8 February 2022. Mr. He Chuangye, another joint company secretary and the secretary to the Board of the Company, serves as the sole company secretary of the Company and has been appointed as the authorised representative, and Ms. Ng Sau Mei has been appointed as the process agent of the Company, with effect from 8 February 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 Company's shareholders and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code (the "**Corporate Governance Code**") contained in Appendix 14 to the Listing Rules as its own corporate governance code. The Company has been in compliance with all code provisions as set out in the Corporate Governance Code during the Reporting Period. The Company will continue to review and monitor its corporate governance practices in order to ensure compliance with the Corporate Governance Code.

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

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

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

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

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

## **9. SIGNIFICANT EVENTS**

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

According to the Provisional Measures of Equity Management of Trust Companies (《信託公司股權管理暫行辦法》) and other laws and regulations, as well as the latest regulatory provisions, combining the corporate governance practice of the Company, the Board of Directors proposed to amend the Articles of Association (the "**Proposed Amendments to the Articles of Association**"). Based on the Proposed Amendments to the Articles of Association, the Board of Directors and the Board of Supervisors proposed to amend the relevant provisions in the procedural rules for the general meeting, the procedural rules for the Board of Directors and the procedural rules for the Board of Supervisors of the Company, respectively.

The Proposed Amendments to the Articles of Association have been considered and approved by the Shareholders at the 2022 fourth extraordinary general meeting convened on 29 December 2022, and are subject to the approval by the Shandong Office of CBIRC. The proposed amendments to the procedural rules for the Board of Directors, the procedural rules for the Board of Supervisors and the procedural rules for the general meeting have been considered and approved by the shareholders of the Company at the 2022 fourth extraordinary general meeting convened on 29 December 2022, and are subject to the approval of the Proposed Amendments to the Articles of Association by the Shandong Office of CBIRC.

Save for the above, during the Reporting Period and as at the date of this results announcement, there was no material change in the Articles of Association. The text of 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**”).

## 9.2 Connected Transactions

### *Entering Into the Lease and Construction Management Entrustment Arrangements*

The Company entered into the lease and construction management entrustment arrangements with Jinan Lucion Asset Management Co., Ltd. (“**Lucion Asset**”) on 10 May 2022, including entering into the housing lease contract, the car park lease contract and the construction management entrustment contract, pursuant to which, the Company rented the property and parking spots from Lucion Asset, and Lucion Asset agreed to provide the Company with construction management services, including reporting and filling of construction projects, procurement management, design management, construction supervision, renovation management and acceptance check for the interior decoration of the property (the “**Lease and Construction Management Entrustment Arrangements**”). Since Lucion Asset is an indirect wholly-owned subsidiary of Shandong Lucion Investment Holdings Group Co., Ltd (“**Lucion Group**”) and Lucion Group is the controlling shareholder of the Company, Lucion Asset is a connected person of the Company and entering into the lease and construction management entrustment arrangements constitutes connected transactions of the Company under Chapter 14A of the Listing Rules. Since the housing lease contracts, parking lot lease contracts and the construction management entrustment contract under the Lease and Construction Management Entrustment Arrangements are entered into with Lucion Asset, involve the same property and are related to each other, the Company shall aggregate the three contracts in relation to the Lease and Construction Management Entrustment Arrangements, and treat them as one transaction in accordance with Rule 14A.81 of the Listing Rules. Pursuant to the IFRS 16 (Leases), the Company shall recognise approximately RMB73.87 million as right-of-use assets for entering into the lease and construction management entrustment arrangements. The aforesaid figure is unaudited and may be subject to adjustment in the future. According to the Listing Rules, entering into the lease and construction management entrustment arrangements and transactions contemplated thereunder will be deemed as an acquisition of right-of-use assets by the Company. Since one or more of the applicable percentage ratio(s) (on an aggregated basis) (as defined under the Listing Rules) for the amount of the right-of-use assets recognised pursuant to the Lease and Construction Management Entrustment Arrangements are



more than 0.1% but less than 5%, the transactions contemplated thereunder constitute connected transactions of the Company, and are subject to the reporting and announcement requirements but are exempted from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

***Transfers of the Equity Interest in Fullgoal Fund and the Ruiyuan No.76 Debt***

The Company disposed of its 16.675% 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 AMC in respect to the Disposal. Pursuant to the Transfer Agreements, the Company conditionally agreed to sell, and Shandong AMC 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 Shandong AMC is a non-wholly owned subsidiary of Lucion Group, which in turn is the controlling shareholder of the Company, Shandong AMC 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 Shandong AMC and inter-conditional, and the transfers of the equity interest in Fullgoal Fund and the Ruiyuan No.76 Debt 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. The transfers of the equity interest in Fullgoal Fund and the Ruiyuan No.76 Debt were completed on 28 December 2022.

### ***Transfer of the Ruiyuan No.61 Debt***

The Company disposed of the Ruiyuan No.61 Debt (the “**Debt Transfer**”) through public tender procedures. The debt transfer agreement (the “**Debt Transfer Agreement**”) was entered into on 14 November 2022 with Shandong AMC as the purchaser in respect to the Debt Transfer. Pursuant to the Debt Transfer Agreement, the Company conditionally agreed to sell, and Shandong AMC conditionally agreed to acquire, the Ruiyuan No.61 Debt at a consideration of RMB2,700,000,000.

The Debt Transfer constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. Since Shandong AMC is a non-wholly owned subsidiary of Lucion Group, the controlling shareholder of the Company, Shandong AMC is therefore a connected person of the Company under the Listing Rules. Thus, the Debt Transfer Agreement and the transactions contemplated thereunder constitute a connected transaction of the Company under Chapter 14A of the Listing Rules. Since one or more of the applicable percentage ratio(s) (as defined under the Listing Rules) in respect of the Debt Transfer Agreement and the transactions contemplated thereunder exceed 75%, the Debt Transfer constitutes a very substantial disposal and connected transaction of the Company under Chapter 14 and Chapter 14A of the Listing Rules respectively, and is subject to the reporting, announcement, circular and independent shareholders’ approval requirements under the Listing Rules.

The Debt Transfer Agreement and the transactions contemplated thereunder have been considered and approved by independent shareholders at the 2022 fourth extraordinary general meeting held on 29 December 2022. The Debt Transfer was completed on 30 December 2022.

### ***Transfer of the Equity Interest in Shandong AMC***

The Company entered into an equity transfer agreement with Lucion Group on 25 November 2022 (the “**Equity Transfer Agreement**”), pursuant to which the Company has conditionally agreed to sell and Lucion Group has conditionally agreed to acquire 500,000,000 ordinary shares of Shandong AMC at a consideration of RMB675,177,700 (the “**Equity Transfer**”). The Equity Transfer constitutes a notifiable transaction of the Company under Chapter 14 of the Listing Rules. Since Lucion Group is the controlling shareholder of the Company, it is therefore a connected person of the

Company under the Listing Rules. Thus, Equity Transfer Agreement and the transactions contemplated thereunder constitute a connected transaction of the Company under Chapter 14A of the Listing Rules. Since one or more of the applicable percentage ratio(s) (as defined under the Listing Rules) in respect of the Equity Transfer Agreement and the transactions contemplated thereunder exceeds 25% but all are less than 75%, the Equity Transfer constitutes a major transaction and connected transaction of the Company under Chapter 14 and Chapter 14A of the Listing Rules respectively, and is subject to the reporting, announcement, circular and independent shareholders' approval requirements under the Listing Rules.

The Equity Transfer Agreement and the transactions contemplated thereunder have been considered and approved by independent shareholders at the 2022 fourth extraordinary general meeting held on 29 December 2022. The Equity Transfer was completed on 6 February 2023.

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

As at 31 December 2022, we, being the plaintiff and applicant, were involved in nine pending material litigation or arbitration cases involving an amount of more than RMB10 million; the value of litigation and arbitration cases in which we were involved totalled approximately RMB2,255.44 million. These cases were mainly brought by us against the relevant counterparty clients due to their failure to repay the loans granted by our trusts.

As at 31 December 2022, we, being the defendant, were involved in one pending material litigation case involving an amount of more than RMB10 million; the value of the litigation case in which we were involved totalled approximately RMB13.7 million. The case was contractual disputes.

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

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

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

On 29 September 2022, the Jinan Branch of PBOC issued the Administrative Penalty Decision (Jin Yin Fa Jue Zi [2022] No. 7) (《行政處罰決定書》(濟銀罰決字[2022]7號)) to the Company and imposed a fine of RMB920,000 for failing to submit reports on large-value or suspicious transactions as required. The Company has paid the above fine.

## **9.6 Provisional Report on Material Issues**

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

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

Save as disclosed in this results announcement, for the year ended 31 December 2022, the Company did not have other important information which the CBIRC and its provincial authorities considered necessary to inform clients and stakeholders.

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

In January, April, July and October 2022, the Shandong Office of CBIRC conducted quarterly on-site inspections of the Company's business, and the Company actively cooperated with the Shandong Office of CBIRC to complete the inspection work.

In 2022, the Company received a total of 25 various supervision opinions documents issued by the Shandong Office of CBIRC, concerning channel business clean-up, consumption trust, comprehensive risk management and other aspects. The Company actively carried out rectification work in accordance with regulatory requirements, and relevant reports or rectification plans have been submitted to the Shandong Office of CBIRC in a timely manner.

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

## 10. EXTRACT OF ANNUAL FINANCIAL STATEMENTS

(All amounts in RMB thousands unless otherwise stated)

The accompanying notes form part of the consolidated financial statements.

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

		Year ended 31 December	
	Notes	2022	2021
Fee and commission income	4	990,286	829,727
Interest income	5	62,741	540,793
Net changes in fair value on financial assets at fair value through profit or loss and investments in associates measured at fair value	6	40,218	(206,893)
Investment (loss)/income	7	(2,342,761)	272,877
Net gains on disposal of associates	8	2,686,123	333,949
Other operating income		8,589	8,243
<b>Total operating income</b>		<b>1,445,196</b>	<b>1,778,696</b>
Interest expenses	9	(139,362)	(552,096)
Staff costs (including directors and supervisors' emoluments)	10	(144,744)	(144,038)
Depreciation and amortisation		(39,539)	(16,490)
Change in net assets attributable to other beneficiaries of consolidated structured entities		35,053	(151,455)
Tax and surcharges		(12,912)	(12,701)
Administrative expenses		(109,301)	(93,251)
Auditor's remuneration		(1,415)	(1,415)
Provision for expected credit losses on financial assets, net of reversal	11	(618,727)	(823,432)
<b>Total operating expenses</b>		<b>(1,030,947)</b>	<b>(1,794,878)</b>
<b>Operating profit/(loss)</b>		<b>414,249</b>	<b>(16,182)</b>
Share of results of investments in associates accounted for using the equity accounting method	12	176,985	481,324
<b>Profit before income tax</b>		<b>591,234</b>	<b>465,142</b>
Income tax (expense)/credit	13	(310,805)	3,377
<b>Net profit attributable to shareholders of the Company</b>		<b>280,429</b>	<b>468,519</b>

	<i>Notes</i>	<b>Year ended 31 December</b>	
		<b>2022</b>	<b>2021</b>
<b>Other comprehensive (expense)/ income</b>			
<b>Item that may be reclassified     subsequently to profit or loss:</b>			
Release upon the disposal of investments in associates accounted for using the equity accounting method		<b>(3,567)</b>	–
Share of other comprehensive income from investments in associates accounted for using the equity accounting method		<b>1,996</b>	<b>7,575</b>
		<hr/>	<hr/>
<b>Total other comprehensive (expense)/income, net of tax</b>		<b>(1,571)</b>	<b>7,575</b>
		<hr/>	<hr/>
<b>Total comprehensive income attributable to shareholders of the Company</b>		<b>278,858</b>	<b>476,094</b>
		<hr/> <hr/>	<hr/> <hr/>
<b>Basic and diluted earnings per share attributable to the shareholders of the Company (<i>in RMB yuan</i>)</b>	<i>14</i>	<b>0.06</b>	<b>0.10</b>
		<hr/> <hr/>	<hr/> <hr/>

## 10.2 Consolidated Statement of Financial Position

		<b>31 December</b>	
	<i>Notes</i>	<b>2022</b>	2021
<b>Assets</b>			
<b>Non-current assets</b>			
Property and equipment		127,798	121,933
Investment properties		137,609	141,374
Right-of-use assets		69,561	11,980
Intangible assets		29,096	24,318
Investments in associates	15	903,107	2,072,304
Financial assets at fair value			
through profit or loss	19	1,370,274	1,427,659
Loans to customers	16	523,911	8,214,294
Financial investments -			
amortised cost	17	3,832,735	887,634
Advance payments		13,443	15,434
Deferred income tax assets		558,385	617,708
Other non-current assets		62,616	18,331
		<u>7,628,535</u>	<u>13,552,969</u>
<b>Total non-current assets</b>			
<b>Current assets</b>			
Financial assets at fair value			
through profit or loss	19	2,712,688	1,736,800
Loans to customers	16	500,060	1,172,586
Advance payments		15,936	7,000
Other current assets		179,758	108,841
Trustee's remuneration receivable		148,127	200,148
Financial assets purchased under			
resale agreements		357,260	697,607
Cash and bank balances	18	2,240,590	1,586,596
		<u>6,154,419</u>	5,509,578
Assets classified as held for sale	20	675,178	-
		<u>6,829,597</u>	<u>5,509,578</u>
<b>Total current assets</b>			
		<u>14,458,132</u>	<u>19,062,547</u>
<b>Total assets</b>			

		<b>31 December</b>	
	<i>Notes</i>	<b>2022</b>	2021
<b>Equity</b>			
Share capital	21	<b>4,658,850</b>	4,658,850
Capital reserve	21	<b>143,285</b>	143,285
Statutory surplus reserve		<b>980,688</b>	952,314
Statutory general reserve		<b>1,255,027</b>	1,141,068
Other reserves		<b>(1,731)</b>	(160)
Retained earnings		<b>3,893,957</b>	3,755,861
		<u><b>10,930,076</b></u>	<u>10,651,218</u>
<b>Total equity</b>			
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Salary and welfare payable		<b>19,010</b>	21,551
Lease liabilities		<b>36,834</b>	7,090
Contract liabilities		<b>20,626</b>	–
Net assets attributable to other beneficiaries of consolidated structured entities	23	<b>99,085</b>	567,839
		<u><b>175,555</b></u>	<u>596,480</u>
<b>Total non-current liabilities</b>			
<b>Current liabilities</b>			
Short-term borrowings	24	<b>2,005,324</b>	1,604,227
Lease liabilities		<b>23,522</b>	4,320
Contract liabilities		<b>15,595</b>	–
Salary and welfare payable		<b>65,243</b>	94,450
Net assets attributable to other beneficiaries of consolidated structured entities	23	<b>144,846</b>	4,717,136
Income tax payable		<b>220,270</b>	99,756
Other current liabilities		<b>877,701</b>	1,294,960
		<u><b>3,352,501</b></u>	<u>7,814,849</u>
<b>Total current liabilities</b>			
		<u><b>3,528,056</b></u>	<u>8,411,329</u>
<b>Total liabilities</b>			
		<u><b>3,477,096</b></u>	<u>(2,305,271)</u>
<b>Net current assets/(liabilities)</b>			
		<u><b>14,458,132</b></u>	<u>19,062,547</u>
<b>Total equity and liabilities</b>			

## 11. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

### 1 GENERAL

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

The Company is controlled by Shandong Lucion Investment Holdings Group Co., Ltd (“**Lucion Group**”), which aggregately owns 52.96% of the shares of the Company at 31 December 2022. Lucion Group is further controlled by Shandong Provincial Department of Finance.

The Company operates under the financial service certificate No. 01052451 issued by the China Banking and Insurance Regulatory Commission (“**CBIRC**”) in November 2022. The principal activities of the Company as approved by the CBIRC include trust business and proprietary business. Trust business is the Company’s core business. As the trustee, the Company accepts entrustment of funds and property from its trustor clients and manages such entrusted funds and property to satisfy its trustor clients’ investment and wealth management needs. The proprietary business focuses on allocating its proprietary assets into different asset classes and investing in businesses with strategic value to its trust business in order to maintain and increase the value of its proprietary assets.

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

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

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

### 2 BASIS OF PREPARATION

#### **Compliance with IFRS and Hong Kong Companies Ordinance**

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

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

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



### 3 APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, the following amendments to IFRSs issued by the IASB for the first time, which are effective for the Group's annual periods beginning on 1 January 2022 for the preparation of the consolidated financial statements:

Amendment to IFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021
Amendments to IFRS 3	Reference to 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 improvement to IFRSs 2018 – 2020 cycle

The directors of the Company consider that the application of the amendments to IFRSs in the current year has had no material effect on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these consolidated financial statements.

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

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

IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts <sup>1</sup>
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback <sup>2</sup>
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to IAS 1	Classification of Liabilities as Current or Non-current <sup>2</sup>
Amendments to IAS 1	Non-current Liabilities with Covenants <sup>2</sup>
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies <sup>1</sup>
Amendments to IAS 8	Definition of Accounting Estimates <sup>1</sup>
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>1</sup>

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

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2024.

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined.

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

### 4 FEE AND COMMISSION INCOME

	<b>Year ended 31 December</b>	
	<b>2022</b>	<b>2021</b>
<b>Fee and commission income from:</b>		
Trustee's remuneration	<b>961,864</b>	829,727
Others	<b>28,422</b>	–
<b>Total</b>	<b>990,286</b>	<b>829,727</b>

## 5 INTEREST INCOME

	Year ended 31 December	
	2022	2021
<b>Interest income from:</b>		
Cash and bank balances	2,365	6,704
Loans to customers	28,432	519,747
Financial investments - amortised cost	10,399	112
Financial assets purchased under resale agreements	21,042	13,167
Contribution to Trust Industry Protection Fund (note (i) below)	503	1,063
	<u>62,741</u>	<u>540,793</u>
<b>Total</b>	<b><u>62,741</u></b>	<b><u>540,793</u></b>

Note:

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

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

	Year ended 31 December	
	2022	2021
<b>Net changes in fair value arising from:</b>		
Financial assets at fair value through profit or loss		
– Mutual funds	(50,818)	(153,494)
– Trust schemes	(22,098)	19,571
– Unlisted companies	40,165	(20,648)
– Listed shares	3,398	(23,357)
– Bonds	(5,118)	44,758
– Other asset management products	(7,397)	5,348
	<u>(41,868)</u>	<u>(127,822)</u>
Investments in associates	82,086	(79,071)
	<u>40,218</u>	<u>(206,893)</u>
<b>Total</b>	<b><u>40,218</u></b>	<b><u>(206,893)</u></b>

## 7 INVESTMENT (LOSS)/INCOME

	Year ended 31 December	
	2022	2021
<b>Dividends income from:</b>		
Financial assets at fair value through profit or loss	15,807	59,841
<b>Net realised (losses)/gains from disposal of:</b>		
Financial assets at fair value through profit or loss	82,215	213,036
Financial investments - amortised cost	30,000	–
Investments in artworks	16,721	–
Loan to customers	(2,487,504)	–
	<u>(2,358,568)</u>	<u>213,036</u>
<b>Total</b>	<b><u>(2,342,761)</u></b>	<b><u>272,877</u></b>

## 8 NET GAINS ON DISPOSAL OF ASSOCIATES

	Year ended 31 December	
	2022	2021
<b>Net gains on disposal of associates:</b>		
Fullgoal Fund Management Co., Ltd. (“ <b>Fullgoal Fund</b> ”) (note (i) below)	2,673,405	–
Ankang Liangsheng Jiye Property Co., Ltd (“ <b>Ankang Liangsheng</b> ”)	12,718	–
Tengzhou Haide Park Property Co., Ltd (“ <b>Tengzhou Haide</b> ”) (note (ii) below)	–	140,540
Huizhou Zhengfeng Industrial Investment Co., Ltd	–	28,741
Tianjin Liangshun Property Development Co., Ltd.	–	17,559
Tianjin Liangxin Property Development Co., Ltd.	–	21,266
Cangzhou Liangheng Property Co., Ltd.	–	34,580
First-Trust Fund Management Co., Ltd. (“ <b>First-Trust</b> ”) (note (iii) below)	–	37,053
Heze Jinxin Land Development and Consolidated Co., Ltd.	–	37,413
Shandong LuXin Xinjiu Kinetic Energy Conversion Venture Capital Parent Fund (limited partnership)	–	33
Taishan Property & Casualty Insurance Co., Ltd. (“ <b>Taishan Property</b> ”) (note (iv) below)	–	15,465
Sinotruk Auto Finance Co., Ltd. (“ <b>Sinotruk Auto</b> ”) (note (v) below)	–	1,299
	<u>2,686,123</u>	<u>333,949</u>
<b>Total</b>	<b>2,686,123</b>	<b>333,949</b>

### Notes:

- (i) The Group has disposed of all its interest in Fullgoal Fund at a total consideration of RMB4,039 million to Shandong Asset Management Co., Limited (“**Shandong AMC**”) during the year ended 31 December 2022. The gain from disposal of an associate amounted to RMB2,673 million has been recognised in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2022.
- (ii) The Group has disposed of all its interest in Tengzhou Haide at a total consideration of RMB189,330,000 during the year ended 31 December 2021. The gain from disposal of an associate amounted to RMB140,540,000 has been recognised in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2021.
- (iii) The Group disposed of all its interest in First-Trust to Lucion Group at a total consideration of RMB133,943,000 during the year ended 31 December 2021. The gain from disposal of an associate amounted to RMB37,053,000 has been recognised in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2021.
- (iv) The Group’s equity interest in an associate, Taishan Property was reduced from 9.85% to 7.40% resulting from the contribution of additional share capital to Taishan Property from other investors for the year ended 31 December 2021 and accordingly, the Group recognised a gain on deemed disposal of an associate and the change of the Group’s share in the net assets amounting to RMB15,465,000 which was credited to profit or loss of the Group for the year. Taishan Property continues to be accounted for as an associate of the Group as the Group has one seat on the board of Taishan Property. The Group has the power to participate in the significant financial and operating policy decisions of Taishan Property.

- (v) The Group's equity interest in an associate, Sinotruk Auto was reduced from 10.00% to 6.52% resulting from the contribution of additional share capital to Sinotruk Auto from other investors for the year ended 31 December 2021 and accordingly, the Group recognised a gain on deemed disposal of an associate and the change of the Group's share in the net assets amounting to RMB1,299,000 which was credited to profit or loss of the Group for the year. Sinotruk Auto continues to be accounted for as an associate of the Group as the Group has one seat on the board of Sinotruk Auto. The Group has the power to participate in the significant financial and operating policy decisions of Sinotruk Auto.

## 9 INTEREST EXPENSES

	Year ended 31 December	
	2022	2021
Interest accrued on borrowings from China Trust Protection Fund Co., Ltd.	114,385	80,770
Third-party beneficiaries' interests ( <i>note (i) below</i> )	21,953	471,180
Others	3,024	146
<b>Total</b>	<b>139,362</b>	<b>552,096</b>

*Note:*

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

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

	Year ended 31 December	
	2022	2021
Salaries and bonuses	98,515	105,967
Pension costs (defined contribution plans)	17,018	13,408
Housing funds	9,387	7,089
Labour union fee and staff education expenses	2,435	2,561
Other social security and benefit costs	17,389	15,013
<b>Total</b>	<b>144,744</b>	<b>144,038</b>

## 11 PROVISION FOR EXPECTED CREDIT LOSSES ON FINANCIAL ASSETS, NET OF REVERSAL

	Year ended 31 December	
	2022	2021
Loans to customers	445,222	650,231
Financial investments - amortised cost	170,272	187,471
Trustee's remuneration receivable	1,603	(10,739)
Others	1,630	(3,531)
<b>Total</b>	<b>618,727</b>	<b>823,432</b>

**12 SHARE OF RESULTS OF INVESTMENTS IN ASSOCIATES ACCOUNTED FOR USING THE EQUITY ACCOUNTING METHOD**

	<b>Year ended 31 December</b>	
	<b>2022</b>	2021
Fullgoal Fund	<b>187,953</b>	426,487
Other associates	<b>(10,968)</b>	54,837
	<hr/>	<hr/>
<b>Total</b>	<b>176,985</b>	481,324
	<hr/> <hr/>	<hr/> <hr/>

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

	<b>Year ended 31 December</b>	
	<b>2022</b>	2021
Current income tax	<b>251,482</b>	298,572
Deferred income tax	<b>59,323</b>	(301,949)
	<hr/>	<hr/>
<b>Total</b>	<b>310,805</b>	(3,377)
	<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 expense/(credit) charged/(credited) in the profit or loss can be reconciled to the profit before income tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	<b>Year ended 31 December</b>	
	<b>2022</b>	2021
Profit before income tax	<b>591,234</b>	465,142
	<hr/> <hr/>	<hr/> <hr/>
Tax calculated at a tax rate of 25%	<b>147,809</b>	116,286
Tax effect arising from income not subject to tax ( <i>note (i) below</i> )	<b>(113,054)</b>	(120,388)
Tax effect of expenses that are not deductible for tax purposes	<b>276,050</b>	725
	<hr/>	<hr/>
Income tax expense/(credit)	<b>310,805</b>	(3,377)
	<hr/> <hr/>	<hr/> <hr/>

*Note:*

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

## 14 BASIC AND DILUTED EARNINGS PER SHARE

### (a) Basic earnings per share

Basic earnings per share are calculated by dividing the net profit attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during both years.

	Year ended 31 December	
	2022	2021
Net profit attributable to shareholders of the Company	280,429	468,519
Weighted average number of ordinary shares in issue ('000)	<u>4,658,850</u>	<u>4,658,850</u>
Basic earnings per share (RMB yuan)	<u><u>0.06</u></u>	<u><u>0.10</u></u>

### (b) Diluted earnings per share

For the years ended 31 December 2022 and 2021, there were no potential diluted ordinary shares and therefore the diluted earnings per share were the same as the basic earnings per share.

## 15 INVESTMENTS IN ASSOCIATES

### (a) The amounts recognised in the consolidated statement of financial position are as follows:

	As at 31 December	
	2022	2021
<b>Associates of the Company, measured at equity accounting method:</b>		
Fullgoal Fund	–	1,174,603
Taishan Property	171,033	199,435
Sinotruk Auto	218,079	209,241
Dezhou Bank Co., Ltd.	122,823	119,333
Anhui Luxin Equity Investment Fund Management Co., Ltd.	<u>3,768</u>	<u>3,090</u>
<b>Gross amount</b>	<b>515,703</b>	1,705,702
Less: Impairment	<u>–</u>	<u>–</u>
<b>Subtotal</b>	<u><b>515,703</b></u>	<u>1,705,702</u>
<b>Associates indirectly held by the Group through consolidated structured entities, measured at equity accounting method:</b>		
Others ( <i>note (i) below</i> )	<u>–</u>	<u>19,284</u>
<b>Gross amount</b>	–	19,284
Less: Impairment	<u>–</u>	<u>(2,000)</u>
<b>Subtotal</b>	<u>–</u>	<u>17,284</u>

	<b>As at 31 December</b>	
	<b>2022</b>	<b>2021</b>
<b>Associates indirectly held by the Group through consolidated structured entities, measured at fair value</b>		
Nanyang Liangheng Real Estate Co., Ltd.	<b>97,585</b>	88,849
Huangshi Liangsheng Real Estate Development Co., Ltd	<b>152,320</b>	116,238
Nanyang Zhongliang Chengtong Real Estate Co., Ltd	<b>60,104</b>	63,059
Ankang Liangsheng	–	36,424
Yunan Hongshan City Investment Co., Ltd.	<b>49,571</b>	27,928
Weifang Hengru Real Estate Co., Ltd.	<b>27,824</b>	16,820
<b>Subtotal</b>	<b>387,404</b>	349,318
<b>Total</b>	<b>903,107</b>	2,072,304

*Note:*

- (i) During the year ended 31 December 2022, the Group ceased to have significant influence over an associate as a result of the loss of representative by the Group in the board of directors in the associate. Hence, the investment in an associate on the date when significant influence is lost was recognised at fair value, and transferred to financial assets at FVTPL.

## 16 LOANS TO CUSTOMERS

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

	<b>As at 31 December</b>	
	<b>2022</b>	<b>2021</b>
Corporate loans – at amortised cost	<b>1,238,308</b>	11,400,623
Including: Issued by the Company	<b>115,000</b>	2,000,000
Issued by consolidated structured entities	<b>1,123,308</b>	9,400,623
Interest receivable	<b>15,709</b>	193,609
Loans to customers, gross	<b>1,254,017</b>	11,594,232
Less: ECL allowance – Loans	<b>(229,179)</b>	(2,057,573)
ECL allowance – Interest receivable	<b>(867)</b>	(149,779)
Loans to customers, net	<b>1,023,971</b>	9,386,880
Presented as:		
Non-current assets	<b>523,911</b>	8,214,294
Current assets	<b>500,060</b>	1,172,586
Loans to customers, net	<b>1,023,971</b>	9,386,880

**(b) Movement of corporate loans**

	Stage 1	Stage 2	Stage 3	Total
<b>Balance as at 1 January 2022</b>	<b>861,378</b>	<b>750,000</b>	<b>9,789,245</b>	<b>11,400,623</b>
Additions	266,200	–	–	266,200
Repayments	(426,878)	(590,000)	(75)	(1,016,953)
Disposal ( <i>note (i) below</i> )	–	–	(6,650,612)	(6,650,612)
Transfers:	151,600	(151,600)	(2,760,950)	(2,760,950)
<i>Transfer from Stage 1 to Stage 2</i>	(8,400)	8,400	–	–
<i>Transfer from Stage 2 to Stage 1</i>	160,000	(160,000)	–	–
<i>Transfer out to financial investments - amortised cost (note (ii) below)</i>	–	–	(2,760,950)	(2,760,950)
<b>Balance as at 31 December 2022</b>	<b>852,300</b>	<b>8,400</b>	<b>377,608</b>	<b>1,238,308</b>
	Stage 1	Stage 2	Stage 3	Total
<b>Balance as at 1 January 2021</b>	5,514,950	60,000	8,657,299	14,232,249
Additions ( <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>	<b>861,378</b>	<b>750,000</b>	<b>9,789,245</b>	<b>11,400,623</b>

*Notes:*

- (i) During the year ended 31 December 2022, the Group disposed of certain impaired loans with the principal amount of RMB6,650,612,000, for which ECL allowance of RMB463,108,000 had been provided, to Shandong AMC, at a total consideration of RMB3,700,000,000. The Group have received consideration of RMB3,610,000,000 while the remaining consideration of RMB90,000,000 shall be settled on or before 31 March 2023 and included under “Other current assets” as at 31 December 2022. The Group derecognised these loans and write-off the corresponding impairment upon disposal of such impaired loans. The Group recognised realised loss from disposal of loan to customers of RMB2,487,504,000 during the year ended 31 December 2022.
- (ii) During the year ended 31 December 2022, certain loans to customers were transferred to financial investments - amortised cost as a result of the Group acquired the rights of certain financial assets at amortised cost from trust schemes.
- (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	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
<b>Balance as at 1 January 2022</b>	<b>18,089</b>	<b>53,330</b>	<b>1,986,154</b>	<b>2,057,573</b>
Provision for impairment	26,064	287	483,908	510,259
Reversal of impairment allowances	(36,409)	(19,990)	(75)	(56,474)
Disposal (note 16(b)(i))	–	–	(463,108)	(463,108)
Transfers:	32,830	(32,830)	(1,830,541)	(1,830,541)
<i>Transfer from Stage 1 to Stage 2</i>	(509)	509	–	–
<i>Transfer from Stage 2 to Stage 1</i>	33,339	(33,339)	–	–
<i>Transfer out to financial investments - amortised cost (note 16(b)(ii))</i>	–	–	(1,830,541)	(1,830,541)
Exposure at Default (“EAD”), Probability of Default (“PD”) and Loss Given Default (“LGD”) changes (note (i) below)	11,470	–	–	11,470
<b>Balance as at 31 December 2022</b>	<b>52,044</b>	<b>797</b>	<b>176,338</b>	<b>229,179</b>
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
<b>Balance as at 1 January 2021</b>	131,120	1,637	1,422,638	1,555,395
Provision for impairment	–	28,206	572,329	600,535
Reversal of impairment allowances	(82,413)	(1,637)	(8,813)	(92,863)
Transfers:	(25,124)	25,124	–	–
<i>Transfer from Stage 1 to Stage 2</i>	(25,124)	25,124	–	–
EAD, PD, and LGD changes (note (i) below)	(5,494)	–	–	(5,494)
<b>Balance as at 31 December 2021</b>	<b>18,089</b>	<b>53,330</b>	<b>1,986,154</b>	<b>2,057,573</b>

Note:

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

**17 FINANCIAL INVESTMENTS - AMORTISED COST**

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

	As at 31 December	
	2022	2021
Financial investments - amortised cost	6,005,545	1,090,714
Interest receivable	3,359	–
Financial investments - amortised cost, gross	6,008,904	1,090,714
Less: ECL allowance – Financial investments - amortised cost	(2,176,002)	(203,080)
ECL allowance – Interest receivable	(167)	–
Financial investments - amortised cost, net	3,832,735	887,634

At 31 December 2022, the Group's financial investments - amortised cost includes an amount of RMB1,019,687,000 (2021: RMB63,235,000) relating to the unconsolidated structured entities managed and invested by the Group.

**(b) Movement of principals**

	Stage 1	Stage 2	Stage 3	Total
<b>Balance as at 1 January 2022</b>	-	-	1,090,714	1,090,714
Additions ( <i>note (i) below</i> )	176,197	605,577	1,835,030	2,616,804
Repayments	-	(40,048)	(395,151)	(435,199)
Disposal	-	-	(27,724)	(27,724)
Transfer	-	-	2,760,950	2,760,950
<i>Transfer in from loans to customers (note 16(b)(ii))</i>	-	-	2,760,950	2,760,950
<b>Balance as at 31 December 2022</b>	<b>176,197</b>	<b>565,529</b>	<b>5,263,819</b>	<b>6,005,545</b>
	Stage 1	Stage 2	Stage 3	Total
<b>Balance as at 1 January 2021</b>	51,600	-	14,297	65,897
Additions ( <i>note (i) below</i> )	-	-	1,076,417	1,076,417
Repayments	(51,600)	-	-	(51,600)
<b>Balance as at 31 December 2021</b>	<b>-</b>	<b>-</b>	<b>1,090,714</b>	<b>1,090,714</b>

*Note:*

- (i) During the years ended 31 December 2022 and 2021, the addition of stage 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	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
<b>Balance as at 1 January 2022</b>	-	-	203,080	203,080
Provision for impairment	7,218	62,305	100,582	170,105
Disposal	-	-	(27,724)	(27,724)
Transfer	-	-	1,830,541	1,830,541
<i>Transfer in from loans to customers (note 16(b)(ii))</i>	-	-	1,830,541	1,830,541
<b>Balance as at 31 December 2022</b>	<b>7,218</b>	<b>62,305</b>	<b>2,106,479</b>	<b>2,176,002</b>
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
<b>Balance as at 1 January 2021</b>	1,312	-	14,297	15,609
Provision for impairment	-	-	188,783	188,783
Reversal of impairment allowances	(1,312)	-	-	(1,312)
<b>Balance as at 31 December 2021</b>	<b>-</b>	<b>-</b>	<b>203,080</b>	<b>203,080</b>

## 18 CASH AND BANK BALANCES

### (a) Cash and bank balances

	As at 31 December	
	2022	2021
Cash at banks	436,339	286,920
Other monetary assets	<u>1,804,251</u>	<u>1,299,676</u>
<b>Total</b>	<b><u>2,240,590</u></b>	<b><u>1,586,596</u></b>

Other monetary assets represent cash deposited in securities company.

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

	As at 31 December	
	2022	2021
Cash at banks	436,339	286,920
Other monetary assets	<u>1,804,251</u>	<u>1,299,676</u>
<b>Total</b>	<b><u>2,240,590</u></b>	<b><u>1,586,596</u></b>

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

	As at 31 December	
	2022	2021
Equity investments		
Listed shares	43,366	7,809
Unlisted entities	596,214	1,213,665
Asset management products <i>(note (i) below)</i>	697,701	194,741
Mutual funds	1,472,194	1,032,197
Bonds	390,546	388,825
Investments in trust schemes	773,060	213,994
Investments in Trust Industry Protection Fund <i>(note (ii) below)</i>	<u>109,881</u>	<u>113,228</u>
<b>Total</b>	<b><u>4,082,962</u></b>	<b><u>3,164,459</u></b>
Presented as:		
Non-current assets	1,370,274	1,427,659
Current assets	<u>2,712,688</u>	<u>1,736,800</u>
Financial assets at fair value through profit or loss, net	<b><u>4,082,962</u></b>	<b><u>3,164,459</u></b>

#### 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.

## 20 ASSETS CLASSIFIED AS HELD FOR SALE

	<b>As at 31 December 2022</b>
Investment in an associate	–
Financial assets at FVTPL	<u>675,178</u>
	<u><u>675,178</u></u>

During the year ended 31 December 2022, the directors of the Company resolved to dispose the investment of equity interest in Shandong AMC and an associate (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 consolidated statement of financial position.

The net proceeds of disposal are expected to exceed the net carrying amount of the relevant assets and liabilities and accordingly, no extra impairment loss has been recognised.

## 21 SHARE CAPITAL AND CAPITAL RESERVE

All of the 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>As at 31 December</b>	
	<b>2022</b>	2021
Number of shares authorised and issued ('000)	<b>4,658,850</b>	4,658,850
Share capital	<b>4,658,850</b>	4,658,850

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

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

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

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

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

As at 31 December 2022, the Group's capital reserve is shown as follows:

	<b>As at 31 December</b>	
	<b>2022</b>	2021
Share premium	<b>122,797</b>	122,797
Others	<b>20,488</b>	20,488
<b>Total</b>	<b>143,285</b>	143,285

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

## 22 DIVIDENDS

No dividend was paid or proposed during the years ended 31 December 2022 and 2021, nor has any dividend been proposed since the end of the reporting period.

Under the PRC Company Law and the Company's Articles of Association, the net profit after tax as reported in the PRC statutory financial statements can only be distributed as dividends after allowances for the following:

- Making up prior year's cumulative losses, if any;
- Appropriation to the non-distributable statutory surplus reserve of 10% of the net profit of the Company; and
- Appropriation to the statutory general reserve.

In accordance with the relevant regulations, after the Company's initial public offering, the net profit after tax of the Company for the purpose of profit distribution is deemed to be the lesser of which determined in accordance with China Accountant Standards and IFRSs.

## 23 NET ASSETS ATTRIBUTABLE TO OTHER BENEFICIARIES OF CONSOLIDATED STRUCTURED ENTITIES

	As at 31 December	
	2022	2021
Net assets attributable to other beneficiaries of consolidated structured entities	<u>243,931</u>	<u>5,284,975</u>
Presented as:		
Non-current liabilities	99,085	567,839
Current liabilities	<u>144,846</u>	<u>4,717,136</u>
	<u>243,931</u>	<u>5,284,975</u>

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

## 24 SHORT-TERM BORROWINGS

	As at 31 December	
	2022	2021
Borrowings from China Trust Protection Fund Co., Ltd.	<u>2,005,324</u>	<u>1,604,227</u>

## 25 EVENTS AFTER THE REPORTING PERIOD

In February 2023, the Company has completed the disposal of all its equity interest in Shandong AMC. Details are set out in the Company's announcement published on 13 February 2023.

## 12. THE AUDIT COMMITTEE

The Audit Committee has reviewed the accounting principles and conventions adopted by the Company with the management of the Company and the Company's external auditor. The Audit Committee has reviewed the annual results for the year ended 31 December 2022.

**13. ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2022  
PUBLISHED ON THE HONG KONG STOCK EXCHANGE'S WEBSITE  
AND THE COMPANY'S WEBSITE**

The annual results announcement for the year ended 31 December 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 annual report for the year ended 31 December 2022 which contains all information required by the Listing Rules will be distributed to shareholders and published on the Hong Kong Stock Exchange's website and the Company's website in due course.

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

Jinan, the People's Republic of China  
28 March 2023

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