

LUCION

山東省國際信託股份有限公司

Shandong International Trust Co., Ltd.

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

Stock Code: 1697



2021
ANNUAL REPORT

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

IMPORTANT NOTICE

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

Mr. Yen Huai-chiang, Mr. Ding Huiping and Ms. Meng Rujing, being the independent non-executive Directors of the Company, have no objection to the truthfulness, accuracy and completeness of the content in this annual report.

The 2021 annual report (2021 annual results announcement) of the Company was considered and approved by the 12th meeting of the third session of the Board of Directors held on 30 March 2022. 8 directors were entitled to be present at the meeting and 8 directors attended the meeting in person.

The 2021 financial report, which has been prepared by the Company according to the Chinese Accounting Standards and IFRS, was audited by ShineWing Certified Public Accountants LLP and SHINEWING (HK) CPA Limited in accordance with the Chinese and International standards on auditing, respectively, and they have issued the standard audit reports without qualified opinion.

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

The Board of
Shandong International Trust Co., Ltd.

30 March 2022

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

Where there is any inconsistency between the Chinese version and the English version of this annual report (except for the independent auditor's report and the consolidated financial statements), the Chinese version shall prevail.

CONTENT

1	About Us	4
	1. Chairperson's Statement	6
	2. General Manager's Statement	8
	3. Basic Corporate Information	10
	4. Major Financial Indicators	19
2	Operating Analysis	20
	1. Management Discussion and Analysis	22
	2. Significant Events	81
3	Corporate Governance	84
	1. Changes in Share Capital and Shareholdings of Substantial Shareholders	86
	2. Directors, Supervisors and Senior Management	90
	3. Corporate Governance Report	107
	4. Report of the Board of Directors	139
	5. Report of the Board of Supervisors	154
4	Financial Reports and Additional Information Disclosure Required by CBIRC	158
	1. Independent Auditor's Report	160
	2. Additional Information Disclosure Required by CBIRC	274
	3. Definitions and Glossary of Technical Terms	284



About Us

Chairperson's Statement	6
General Manager's Statement	8
Basic Corporate Information	10
Major Financial Indicators	19



Wan Zhong

Chairperson of the Board of Directors

CHAIRPERSON'S STATEMENT

2021 marks the beginning year of the 14th Five-Year Plan, and it was another exciting year for SITC to comprehensively promote market-oriented reform. In the face of multiple tests such as the complex and changeable domestic and international economic situation, the continuous tightening of supervision and the arduous task of reform and transformation with repeated global pandemic, the Company continued to uphold the work requirements of "achieving growth among stability", took the responsibility to enhance financial supply and serve high-quality development, take institutional reform, transformation and innovation, risk prevention and control as the grasp, carried out in-depth study and education of Party history, and comprehensively promoted pandemic prevention and control and enterprise development by aligning with institutional reform, transformation and innovation and risk prevention and control. The Company generally maintained the development trend of "maintaining stability and advancing in an orderly and effective way", and continuously consolidated the foundation for high-quality development. On behalf of the Board of Directors of SITC, I would like to extend my most sincere gratitude to the shareholders, customers and people from all walks of life who have extended care and support to the reform and development of SITC for a long time.

This year, we devoted ourselves to Party building, brands building and missions undertaking, adhered to high-quality development led by high-quality Party building, deepened the study and education of Party history, and carried out a series of activities to celebrate the centennial of the founding of the Party. We are committed to the guidance of "Luxin Red Pioneer" in Party construction, making the Party construction brands of "Planting Red", "Cultivating Red" and "Casting Red" becoming more and more popular. We bore in mind the mission of "gathering capital to develop Shandong" with the total size of trusts invested in Shandong Province exceeding RMB30 billion, fully guaranteed regional financial supply, and demonstrated the responsibility of state-owned enterprises with practical actions.

This year, we focused on reform, structural adjustment and transformation, focused on strengthening the foundation and improving the quality of the main business, continued to optimize the trust business structure, steadily increased the scale of actively managed trusts based on the combination of shares and bonds, gradually improved the product line of standard business. We solidly promoted the family trust and inclusive finance business with a variety of highlights, the total size of family trust was nearly RMB22 billion, and the effect of transformation was becoming more and more obvious; the allocation of proprietary assets has become more optimised, and synergy development between the proprietary business and the trust business and the two-wheel drive effect has continued to increase.

This year, we unswervingly consolidated the foundation, sought development and practical results, established three business divisions: wealth management business division, family trust business division and capital market business division and six business centres, and implemented the organisational management mode of "business department + department system" on a trial basis. We strengthened the construction of independent marketing system, set up five new wealth centres in Beijing, Shanghai, Xi'an, Dongguan and Dalian, and built a business network covering North China, East China, northwest, northeast and South China. We completed the reform of professional managerial mechanism and vigorously introduced market-oriented professionals. The scale of self-issued products exceeded RMB16 billion, and substantial steps were taken in the transformation of wealth management.

This year, we made rapid progress to strengthen science and technology, control risks and improve services. We adhered to make up for our shortcomings in development empowered by science and technology. The intelligent risk control system was officially launched to comprehensively improve the ability of risk prediction, risk management and risk disposal. We optimised the implementation of standard asset management system, asset securitisation system and family trust system. SITC APP 2.0 was upgraded and launched, the electronic signing rate reached 100%, the customer experience continued to improve, and the ability of financial technology to support business transformation and innovation was effectively improved.

2022 is a key year for SITC to consolidate its development foundation, accelerate reform and transformation, and strive to build a "respected professional wealth management organization based on asset allocation". To turn this blueprint into reality, we need to strive to cultivate new opportunities in the crisis, open a new situation in the changing situations, gather the strength of struggle, and show our responsibility. We will firmly grasp the general tone and the general principle of "pursuing progress while ensuring stability", consolidate the responsibility to maintain "stability", refine the measures to maintain "stability", unswervingly promote the high-quality development of Party building, unswervingly promote market-oriented reform, unswervingly promote transformation and innovation, unswervingly prevent and mitigate major risks, support the real economy with better services and meet the people's yearning for a better life.

Work actively to go far. We will dedicate and devote and forge ahead to uphold reform and concentrate on tackling tough problems, further improve the ability of entrusted service, asset allocation and wealth management, and make our contributions to the reform, transformation and high-quality development of the trust industry.



Fang Hao

Executive Director and General Manager

GENERAL MANAGER'S STATEMENT

2021 marks the last year of the transition period of the new regulations on asset management, and is also the first year for SITC to comprehensively promote the market-oriented transformation and deepen the reform of system and mechanism. Over the past year, facing the superimposed tests brought by the complex and severe market situation and arduous reform and transformation tasks, SITC, under the strong leadership of the Company's Party Committee and Board of Directors, adhered to the business philosophy of seeking progress while maintaining stability, calmly responded to the pressure of all parties, actively adjusted the business structure, made efforts to improve the quality of assets and solidly promoted reform and innovation. It has accumulated the development stamina under the new situation of industry transformation, and will strive to embark on a new journey of high-quality development with a new attitude.

As at the end of the Reporting Period, the consolidated assets of the Company amounted to RMB19.063 billion, with consolidated liabilities of RMB8.411 billion and consolidated owner's equity of RMB10.652 billion; consolidated profit before tax of the year amounted to RMB465 million with net profit attributable to the parent company's shareholders of RMB469 million; the trust scale under the trusteeship of the Company was RMB156.450 billion, and the annual trustee's remuneration fee income was RMB830 million. In the background of the development of the industry in the transition period, the above achievements have not come easily. I would like to express my sincere thanks to the regulatory authorities and all sectors of society who have always supported us.

This year, SITC focused on its main business, strengthened its foundation for quality improvement, and optimized its business strategic layout. On the premise of keeping the traditional business away from any major risks, we actively transformed to the capital market and standardized business. In the whole year, the new securities investment trust was RMB66.848 billion, and the service trust business represented by family trust continued to be at the forefront of the industry. At the end of the year, the total size of existing family trust business was nearly RMB22 billion, and 384 new family trust businesses were launched in the whole year, the inclusive finance has served nearly 2.17 million low-income groups in total, and 11 charitable trusts have been set up in total. With increasingly optimized business structure, and fulfilled social responsibility, it has accumulated new momentum for development for steadily stepping through the transition period.

This year, SITC clarified its strategic positioning, reshaped the development engine, and gradually built a "allocation-oriented" wealth management system. The wealth management division was established, with five new wealth centers in Beijing, Shanghai, Xi'an, Dalian and Dongguan, and nine new marketing teams. With Shandong as the core, a wealth network layout covering North China, East China, northwest, northeast and South China was formed. In the whole year, its self-issued product amounted to RMB16.17 billion, with a year-on-year increase of 45.7%, and self-managed customers reached 6,370, with a year-on-year increase of 12%. Substantial breakthroughs have been made in the transformation of wealth management and a new engine for transformation and development has been constructed.

This year, SITC comprehensively adjusted and optimized its organizational structure, completed the reform of professional managers, introduced more than 130 professionals, created a long-term mechanism of "promoting the competent and dismissing the incompetent", and stimulated the new vitality of endogenous development with the salary evaluation system of "strong incentive and hard constraint". Intelligent risk control management has been innovated and upgraded, and the speed of digital transformation has been accelerating. The "three three system" supervision mechanism has been fully promoted, and the management of employee behavior has been continuously strengthened. There are more than 40 rules which have been established, modified and abolished, and the executive power and binding force of the systems are continuously improved to comprehensively ensure the steady development of the Company.

In 2022, we still face many challenges, and SITC will continue to maintain its strategic determination, overcome the pressure of transformation, and make steady progress on the road of high-quality development by closely focusing on the strategic goal of building a respected wealth management institution based on asset allocation during the 14th Five-Year Plan period. We will strengthen the belief in market-oriented reform and maintain the determination of reform and transformation. We will improve the level of fine management, enhance the guarantee support system, and foster the ability of risk prevention and resolution. We will focus on the transformation and innovation of the main business with two-wheel drive of standard and non-standard. We will make good use of the advantages of account management license to promote the transformation of wealth management and enhance financial technology capabilities and support business transformation. We will implement the mission of financial state-owned enterprises and serve the development of the real economy.

Looking back on the past and forward to the future, the road of transformation is long and impending. We will shoulder the glorious mission of transformation and innovation of SITC, pool the joint efforts of reform, jointly build a new pattern of high-quality development of SITC with a far-sighted vision and down-to-earth style, and repay customers, society and shareholders with better performance to jointly usher in a better tomorrow for China's trust industry!

BASIC CORPORATE INFORMATION

COMPANY PROFILE

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

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

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

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

BASIC CORPORATE INFORMATION

HONORS AND AWARDS

Awards

The 5th Golden Hong Kong Stock "Best Financial Company"
 2021 "3·15 Integrity Financial Brands" in Shandong Province
 Best Asset Securitization (ABS) Project of the Year
 2020 Shandong Social Responsibility Enterprise
 Top 10 Social Responsibility Projects in 2020
 The 14th "Integrity Trust – Innovation Leading Award",
 "Integrity Trust – Best Charitable Trust Product Award"
 Excellent Asset Management Capability Trust Company,
 Excellent Family Trust Product
 2021 Regional Influential Trust Company of the Year, 2021
 Excellent Social Responsibility Trust Company
 2021 Best Listed Company in Greater China – Best Information
 Disclosure Award
 "2021 Chinese-style Family Office TOP 30" list
 Best Corporate Governance Award, Best ESG Award

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 New Fortune
 Dazhong News Group, Shandong Federation of Industry
 and Commerce, etc.
 China's Insurance Quote
 Shanghai Securities News
 PUYI Standards, Finance and Investment
 Securities Times
 Gelonghui
 Fortune Today
 China Financial Market

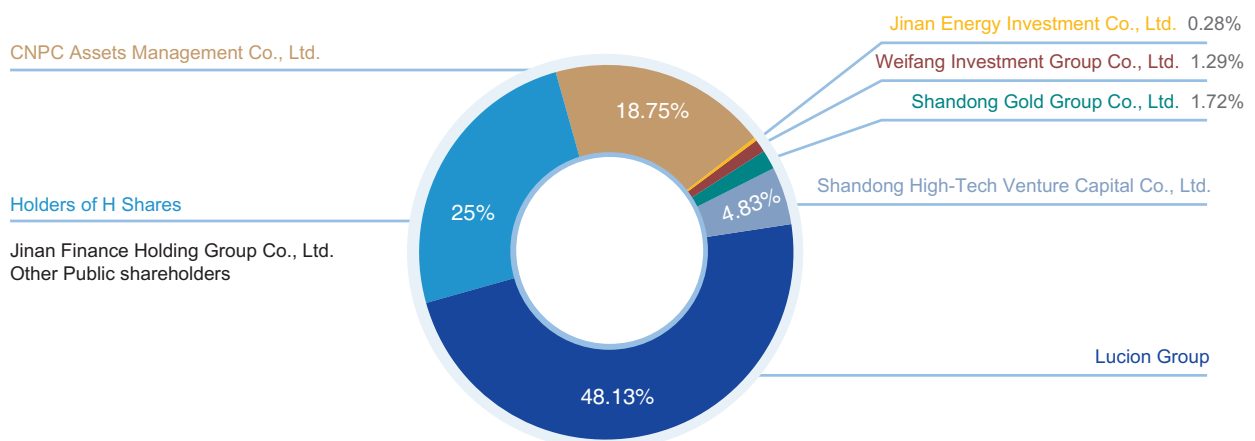


BASIC CORPORATE INFORMATION

CORPORATE CULTURE



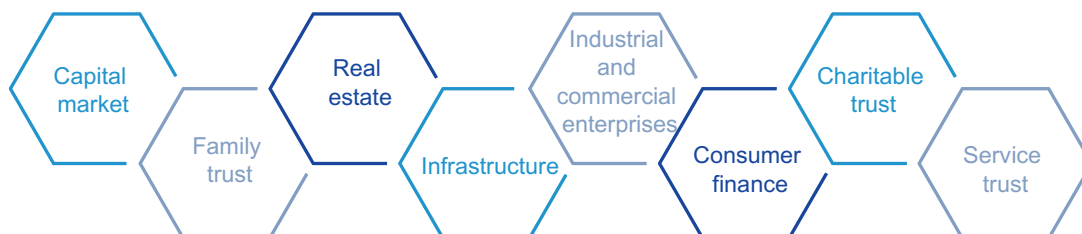
SHAREHOLDING STRUCTURE



BASIC CORPORATE INFORMATION

BUSINESS LINES AND NETWORK LAYOUT

Business coverage



Six region centres



Wealth network layout



Jinan

Qingdao

Beijing

Shanghai

Dongguan

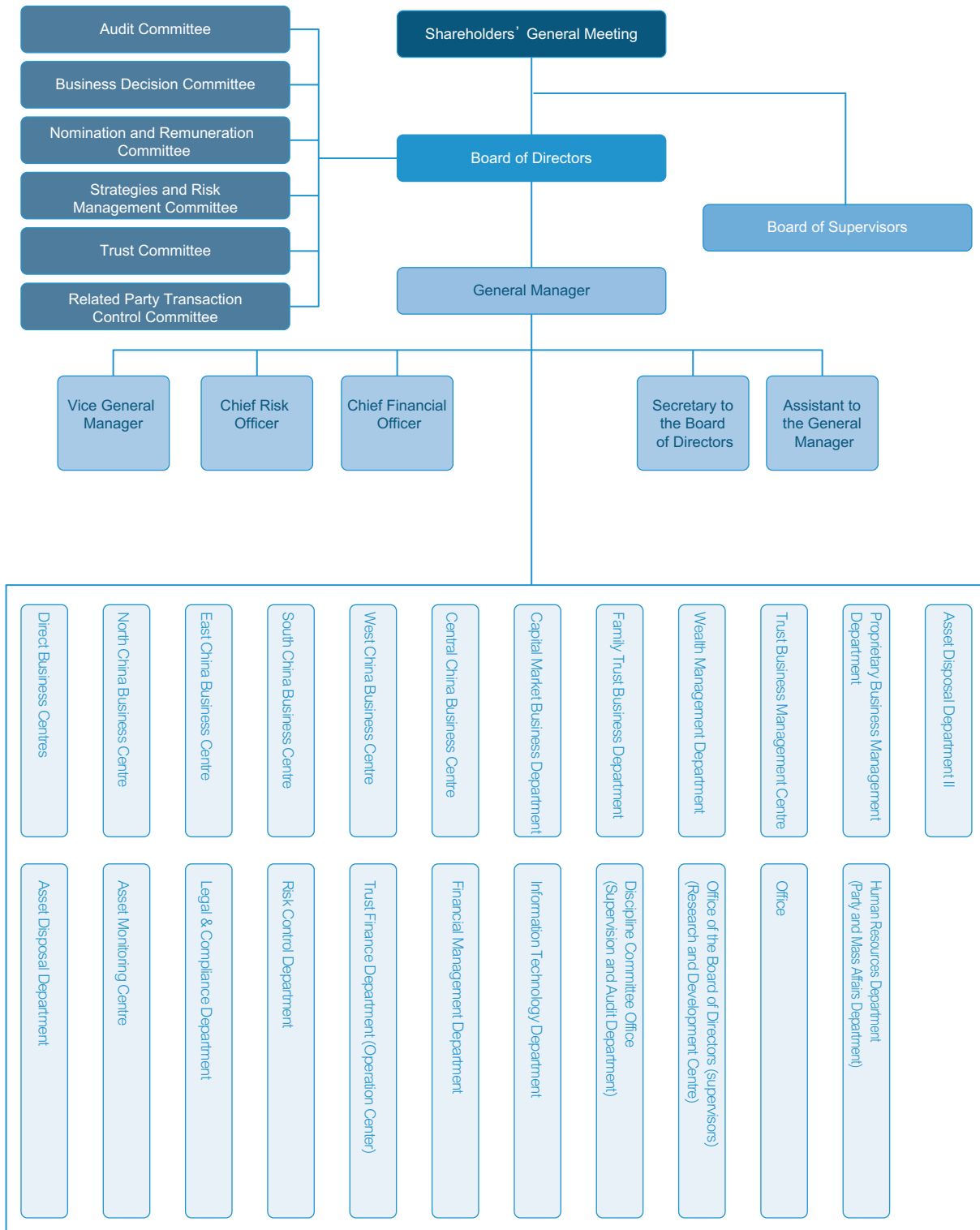
Dalian

Xi'an



BASIC CORPORATE INFORMATION

ORGANISATIONAL STRUCTURE



BASIC CORPORATE INFORMATION

DEVELOPMENT HISTORY

- 
- 1987** Established with the approval of PBOC and the People's Government of Shandong Province
 - 1993** Successfully issued JPY10 billion samurai bonds in Japan
 - 1999** Became one of the first trust companies to fully fulfill overseas repayment obligations on time
 - 2002** Restructured from an enterprise owned by the whole people to a limited liability company
 - 2007** Renamed as "Shandong International Trust Corporation" with the approval of the CBRC
 - 2014** Successfully completed the capital increase and share expansion, with the registered capital increased to RMB2 billion
 - 2015** Completed the joint-stock system reform, with the Company changed to a limited liability company as a whole
 - 2017** Listed on the Main Board of the Hong Kong Stock Exchange, achieving a breakthrough in the listing of mainland trust companies in Hong Kong and being the first mainland trust company listed on international capital market and the first trust company listed on the Hong Kong Stock Exchange
 - 2019** Registered capital increased to RMB4,658,850,000, with a constantly increasing capital strength

BASIC CORPORATE INFORMATION

CORPORATE INFORMATION

Legal name (in Chinese)

山東省國際信託股份有限公司

Abbreviation in Chinese

山東國信

Legal name (in English)

Shandong International Trust Co., Ltd.

Abbreviation in English

SITC

Legal representative

Wan Zhong (萬眾)

Registered capital

RMB4,658.85 million

Authorised representatives

Wan Zhong (萬眾)

He Chuangye (賀創業)

Secretary to the Board of Directors, company secretary

He Chuangye (賀創業)

Registered office No. 166 Jiefang Road, Lixia District
Jinan, Shandong Province
PRC

Head office in the PRC No. 166 Jiefang Road, Lixia District
Jinan, Shandong Province
PRC

Postal code 250013

E-mail ir1697@luxin.cn

Internet website <http://www.sitic.com.cn>

**Principal place of
business in Hong Kong** 31/F, Tower Two, Times Square
1 Matheson Street
Causeway Bay
Hong Kong
PRC

BASIC CORPORATE INFORMATION

BRIEF DESCRIPTION OF THE COMPANY'S SHARES

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

CONTACT PERSON, CONTACT INFORMATION AND CONTACT ADDRESS

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

SPECIAL COMMITTEES UNDER THE BOARD OF DIRECTORS

Name of special committees	Composition of committee
Audit Committee	Ding Huiping (丁慧平) (Chairperson), Zhao Zikun (趙子坤), Meng Rujing (孟茹靜)
Business Decision Committee	Wan Zhong (萬眾) (Chairperson), Zhao Zikun (趙子坤), Fang Hao (方灝)
Nomination and Remuneration Committee	Meng Rujing (孟茹靜) (Chairperson), Wan Zhong (萬眾), Yen Huai-chiang (顏懷江)
Strategies and Risk Management Committee	Wan Zhong (萬眾) (Chairperson), Wang Zengye (王增業), Fang Hao (方灝)
Trust Committee	Yen Huai-chiang (顏懷江) (Chairperson), Zhao Zikun (趙子坤), Wang Bailing (王百靈)
Related Party Transaction Control Committee	Ding Huiping (丁慧平) (Chairperson), Fang Hao (方灝), Wang Bailing (王百靈)

BASIC CORPORATE INFORMATION

SERVICE ORGANISATION

Type of Service Organisation	Name and Place of business
H Share Registrar	<p>Name: Computershare Hong Kong Investor Services Limited</p> <p>Place of business: Shops 1712–1716, 17th Floor, Hopewell Centre, Wanchai, Hong Kong, PRC</p>
Legal Advisor (as to PRC laws)	<p>Name: Fangda Partners</p> <p>Place of business: 24/F, HKRI Centre Two, HKRI Taikoo Hui, 288 Shi Men Yi Road, Shanghai, PRC</p>
Legal Advisor (as to Hong Kong laws)	<p>Name: Fangda Partners</p> <p>Place of business: 26th Floor, One Exchange Square, 8 Connaught Place, Central, Hong Kong, PRC</p>
PRC Auditor	<p>Name: ShineWing Certified Public Accountants LLP</p> <p>Place of business: 9/F, Block A, Fu Hua Mansion, 8 Chaoyangmen Beidajie, Dongcheng District, Beijing, PRC</p>
International Auditor	<p>Name: SHINEWING (HK) CPA Limited (<i>Certified Public Accountants and Registered Public Interest Entity Auditor</i>)</p> <p>Place of business: 43/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong, PRC</p>
Undersigned accountant	Chan Wing Kit
Principal Bank	<p>Name: Citic Bank Jinan Quancheng Road Sub-branch</p> <p>Place of business: No. 166 Jiefang Road, Lixia District Jinan, Shandong Province, PRC</p>

MAJOR FINANCIAL INDICATORS

FINANCIAL DATA

	As at and for the year ended 31 December				
	2021	2020	2019	2018	2017
Data at the end of the Reporting Period (RMB in millions)					
Total assets	19,063	20,684	14,572	13,612	12,902
Fee and commission income	830	1,152	1,038	891	1,130
Interest income	541	717	530	648	491
Total operating income	1,779	2,306	1,887	1,695	1,648
Change in net asset attributable to other beneficiaries of consolidated structured entities	(151)	(17)	(0.5)	(20)	2
Total operating expenses	1,795	1,942	1,133	700	696
Operating profit before income tax	465	733	878	1,127	1,119
Segment assets					
Proprietary business	17,800	19,358	13,241	12,372	11,655
Trust business	1,123	1,147	997	1,214	1,202
Unallocated assets ⁽¹⁾	140	179	334	26	45
Segment liabilities					
Proprietary business	8,186	10,320	4,678	3,989	3,715
Trust business	206	183	71	67	38
Unallocated liabilities ⁽¹⁾	19	6	13	15	2

Note:

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

The background features a light blue gradient with a large, semi-transparent number '2' on the left side. Faint, repeating text is visible in the upper left quadrant, appearing as a watermark or background pattern. The text includes words like 'Operating Analysis' and '2' in various orientations and sizes, creating a layered effect.

2 Operating Analysis

MANAGEMENT DISCUSSION AND ANALYSIS	22
SIGNIFICANT EVENTS	81

MANAGEMENT DISCUSSION AND ANALYSIS

ENVIRONMENT OVERVIEW

Since 2021, the global pandemic has frequently rebounded, and the global economy has been recovering. The marginal slowdown and the intensification of supply chain friction were superimposed, and the risk of geopolitical conflict has become prominent. The issues such as the continuously high commodity prices, the insufficient supply of raw materials, the shortage of labor in some posts, and the increasing economic differentiation in different fields were highlighted. The volatility of the international financial market has increased, and the adjustment of monetary policies of major developed economies have begun. China has responded calmly to the changes and the pandemic situation in the century, scientifically coordinated the COVID-19 pandemic prevention and control while working on economic and social development, deepened macro policies, made cross-cycle regulation, maintained a global leading position in economic development and pandemic prevention and control, and the main macro indicators are in a reasonable range. The strength of national strategic science and technology has been accelerated, the resilience of industrial chain has been improved, the reform and opening up has been promoted vertically, the people's livelihood security has been strong and effective, the construction of ecological civilisation has been continuously promoted, new steps have been taken to build a new development pattern, new steps have been taken to build a new development pattern, and new achievements have been made in high-quality development, achieving a good start in the 14th Five-Year Plan.

China's financial industry conscientiously implemented the decisions and deployments of the Party Central Committee, the State Council and regulatory departments, closely focused on the three tasks of serving the real economy, prevented and controlled financial risks and deepening financial reform, fully supported the comprehensive recovery and virtuous circle of the national economy, continuously increased the support for advanced manufacturing and strategic emerging industries, vigorously developed inclusive and green finance, continuously improved the multi-level, wide-coverage and differentiated financial institution system, firmly held the bottom line of non-systematic financial risks, and vigorously promoted the high-quality economic development.

At the end of the transition period of the new asset management regulations and the regulatory environment of "two pressures and one reduction", China's trust industry has always adhered to seeking improvement in stability, followed the regulatory guidance, carefully planned business transformation, made great efforts to optimise business structure, actively grasped new opportunities for development, continuously enhanced capital strength and improved the high-quality development of economy and the people's ability to live a better life. As at the end of 2021, the balance of trust assets managed by China's trust industry was RMB20.55 trillion, the structure of assets, the ways of allocation and the application of the fund has continued to be optimised, standardised business has developed rapidly, the business volume and quality have increased, the ability to serve the real economy has been continuously strengthened, and the business transformation has achieved positive progress.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

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

In 2021, facing multiple tests such as complex and changeable domestic and international economic environments, increasingly fierce competition in market and arduous and formidable tasks of reform amid the repeated global pandemics, SITC adhered to the general tone of striving for progress while maintaining stability, promoted the transformation with reform, made every effort to carry out the annual key work, carried out three institutional reforms in a deep-going way, improved the national business and wealth network layout, sped up the transformation of wealth management, strengthened the disposal of risk projects, continuously implemented the construction of trust culture, and completed the formation of the “14th Five-Year Plan”.

Firstly, two-wheel driver of standard and non-standard and business transformation improved quality and efficiency. The Company grasped the development opportunity of a standard business, preliminarily built and completed the whole product line of actively managing standard products; took initiative in active management business, “Suixin Wenli”, “Taishanbao”, “Shandong Construction and Development Fund” and other net worth products were successively launched, and the existing scale exceeded RMB44.9 billion by the end of 2021; vigorously expanded asset-backed securities, and helped enterprises to raise funds directly; strengthened cooperation with banks, bank financial subsidiaries, securities companies and other financial institutions, and strove to build an all-round interbank cooperation system. The Company vigorously expanded investment loan linkage and equity debt combination businesses, and continued to improve the income generating capacity of traditional businesses. The Company focused on promoting the development of family trust and other service trust businesses based on account management. At the end of 2021, the cumulative contract amount was nearly RMB22 billion, maintaining the leading position in the industry on an ongoing basis, and the pace of returning to the origin of the trust was firm and strong. We actively practiced inclusive finance and strove to solve the problems of difficulty to cover long-tail customer groups for bank credit and financing difficulty. We made solid and steady use of property funds, actively carried out diversified investment, continuously optimised asset allocation, actively cultivated new engines for business transformation, and continuously improved the synergy with trust business.

Secondly, the Company strengthened the transformation direction of wealth management and improved the construction of independent marketing system. The Company further promoted the reform of wealth management business, set up a wealth management department, continuously strengthened the construction of independent marketing system, in 2021, the scale of independent marketing of RMB16.17 billion, with a year-on-year increase of 45.7%; accelerated the construction of wealth outlets and marketing teams in other places, and set up new wealth centres in places including Beijing, Shanghai, Xi’an, Dalian and Dongguan, so as to establish a national wealth network covering North China, East China, Northwest, Northeast and South China to further facilitate customers’ investment and wealth management. The Company actively carried out public welfare advocacy on promoting the protection of consumers’ rights and interests, regularly organised financial knowledge presentation activities, and continuously enhanced the effectiveness of education on investors.

MANAGEMENT DISCUSSION AND ANALYSIS

Thirdly, the Company accelerated the reform of the institutional mechanism and strengthened the endogenous power of transformation and development. The Company adopted the idea of “business division + department system” to adjust the Company’s organisational structure and optimise the operation mechanism, set up three major business departments of wealth management, family trust and capital market and six business centers, and set up functional departments such as the Trust Finance Department (Operation Centre), Information Technology Department and the Asset Monitoring Centre to continuously enhance service support capacity. The Company implemented the reform of the mechanism of professional managers, established a new management team through external introduction and internal competition. The Company comprehensively promoted the reform of the salary assessment system, vigorously introduced professionals, enhanced support for wealth management, capital markets and the original business, practically improved a market-oriented management mechanism integrating “strong incentives and hard constraints”, so as to create a corporate atmosphere with healthy competition and steady development.

Fourthly, the Company sped up the construction of financial science and technology, and enabled the innovation and upgrading of management. It strengthened the application of financial technology, completed the construction of intelligent risk control system, and comprehensively improved the ability of risk prediction, risk management and risk disposal; it developed the reconstruction and upgrade plan for standard product AM4.0 whole asset management platform and promoted its implementation, so as to continuously improve the support ability of information system for capital market business; the Company upgraded and launched its APP2.0 to comprehensively optimise the system interaction experience, promote the optimisation of the wealth-end system, and meet the requirements of rapid iteration of the wealth-end; it optimised business system functions, dug deep into business demand scenarios, and improved the online, standardised and intelligent level; it steadily implemented the reconstruction and upgrading scheme of family trust 2.0 system, and realised the functions of family trust account system management and customer life cycle management.

Fifthly, the Company continued to increase the level of risks management, and continuously strengthened the construction of internal control and compliance. The Company officially launched the intelligent risk control system to realise the quantitative management of real estate businesses risks, effectively improving the Company’s investment decision-making ability and risks management level. The Company conscientiously carried out special governance work such as “the Year of Standardised Construction and Promotion” and “the Year of Internal Control and Compliance Construction”, formulated plans for activities, conducted self-examination and evaluation, and promoted rectification and reform in a down-to-earth manner. The Company actively implemented anti-money laundering and anti-terrorist financing, and sped up the construction of an anti-money laundering system. The Company adhered to the position of being a trustee, vigorously carried forward the trust culture, deeply carried out the construction of trust culture, and formulated and implemented the activity plan of “the Year of Trust Culture Popularisation”.

In 2021, the Group achieved operating income with an amount of RMB1,778.7 million, representing a year-on-year decrease of 22.9%; net profit attributable to shareholders of the Company was RMB468.5 million, representing a year-on-year decrease of 25.4%, mainly due to the year-on-year decrease of fee and commission income, interest income, net changes in fair value of financial assets at FVPL and investments in associates measured at fair value, which are partially offset by the year-on-year increase in investment income, net gains on disposal of associates and share of results of investments in associates accounted for using the equity accounting method and the year-on-year decrease of impairment losses on financial assets, net of reversal.

MANAGEMENT DISCUSSION AND ANALYSIS

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			
	2021		2020	
	Amount	%	Amount	%
<i>(RMB in thousands, except for %)</i>				
Trust business				
Operating income	830,812	36.76%	1,155,078	43.19%
Segment income	830,812	36.76%	1,155,078	43.19%
Proprietary business				
Operating income	947,884	41.94%	1,150,552	43.02%
Share of results from investments in associates accounted for using the equity accounting method	481,324	21.30%	368,874	13.79%
Segment income	1,429,208	63.24%	1,519,426	56.81%
Total	2,260,020	100.00%	2,674,504	100.00%

In 2021, the income from the trust business and proprietary business of the Group accounted for 36.8% and 63.2% of the total revenue of the Group, respectively.

Trust Business

In 2021, the AUM and income from trust business recorded a year-on-year decrease, and the income from actively managed trust in proportion of the fee and commission income of the total income from trust business maintained growth. The AUM of the Company decreased from RMB248,697 million as at 31 December 2020 to RMB156,450 million as at 31 December 2021, and the total number of trusts were 1,137 and 1,318, respectively, as at the respective dates. In 2021, the Company achieved income of trust business amounted to RMB830.8 million, indicating a year-on-year decrease of 28.1%. During the Reporting Period, revenue from the actively managed trust amounted to RMB686 million, accounting for 82.7% of the fee and commission income of the total income from trust business and indicating a year-on-year growth of 4.7 percentage points.

MANAGEMENT DISCUSSION AND ANALYSIS

Classification of Trusts

With the flexible trust arrangements under 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 different 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 HNWI to satisfy their investment needs. The rapid accumulation of wealth in the PRC has resulted in diversified demands for various forms of investment. As the traditional asset management industry in the PRC is dominated by securities investment fund companies and securities firms, which mainly invest in standardised financial products in capital markets, such as the money market, publicly traded stocks and bonds, the Company believes the flexibility of trusts and the business scope of the trust license enables the Company to offer financial products with unique value to institutional investors and HNWI.
- (3) **Administrative management trusts:** Through the administrative management trusts, the Company provides administrative services to the trustors, whilst at the same time 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 this type of trust, 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 make investments in the projects or enterprises designated by the trustors.

MANAGEMENT DISCUSSION AND ANALYSIS

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

	As at 31 December			
	2021		2020	
	Number	AUM	Number	AUM
	<i>(AUM: RMB in millions)</i>			
Financing trusts	184	49,981	176	70,117
Investment trusts	987	28,139	655	19,865
Administrative management trusts	147	78,330	306	158,715
Total	1,318	156,450	1,137	248,697

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):

	Year ended 31 December			
	2021		2020	
	Revenue	%	Revenue	%
	<i>(Revenue: RMB in millions)</i>			
Financing trusts	596	71.81	635	55.12
Investment trusts	90	10.84	263	22.83
Administrative management trusts	144	17.35	254	22.05
Total	830	100.00	1,152	100.00

MANAGEMENT DISCUSSION AND ANALYSIS

Trust Business Segmentation

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

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 2021, the Company had 24 existing equity investment projects (including "equity + debt" projects), of which the total scale of pure equity investment was RMB1.859 billion. The Company will actively respond to the national macro policies, actively comply with the regulatory guidance, scientifically study and judge the market situation, vigorously support the construction of long-term rental housing and affordable housing, and continue to serve the reasonable inelastic and improving housing needs of residents.

Capital Market Trusts

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

MANAGEMENT DISCUSSION AND ANALYSIS

In 2021, SITC set up a capital market business department to carry out capital market business. The business department consists of fixed income department, portfolio investment department, equity investment department, asset securitisation department, interbank securities service department, private securities service department, investment strategy department, fund management department, comprehensive operation department and other professional departments, which provide 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 analyse the project, assets, customers, products, beneficial rights, business process, business account risk control and other comprehensive management 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 2021, the Company's total size of existing capital market business was RMB43.136 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 client's family interests and pursue the realisation of family goals, i.e. to maintain the security of family property, protect the needs of family members, inherit family businesses and protect family privacy through the management and application of family property; in addition, it can also serve family children's education, family governance, family charity and many other family affairs.

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

MANAGEMENT DISCUSSION AND ANALYSIS

As at 31 December 2021, the Company had established nearly 1,100 family trusts, with an existing scale of nearly RMB22 billion, which has always been in the forefront of the industry in recent years. In 2021, the Company's family trust was awarded the "Gold Honor Award" and "2021 Chinese Family Office top 30" at the annual summit of China's asset management and wealth management industry. China's middle class group is expanding gradually, and the number of high-net-worth clients is growing steadily. With the gradual improvement of supporting legal system and tax system, as the only financial instrument endowed by laws and regulations with many core functions such as asset isolation, protection, inheritance and wealth management, the functionality and importance of family trust are being known and recognised by more HNWIs, and the development prospect and market space of family trust are broad.

Industrial and Commercial Enterprises Trusts

Industrial and commercial enterprises trust refers to the business that the trust company, as the trustee, accepts the trust property of the trustor in the form of single or collective trust, and applies the trust capitals to industrial and commercial enterprises such as production, service and trade enterprises according to the wishes of the trustor to manage, apply and dispose of the trust property. Industrial and commercial enterprises trust can solve the capital needs of enterprises in the process of operation, such as liquidity capital needs, M&A capital needs, etc. Industrial and commercial enterprises trust is an important business for trust companies to comply with the guidance of national policies and guide social funds to invest in the real economy. It can meet the capital needs of enterprises through equity, creditor's rights, stock debt linkage, industrial funds and other ways.

As at 31 December 2021, the existing industrial and commercial enterprises trust scale of SITC was RMB46.64 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 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 fields 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, accounts receivable and asset securitisation. Infrastructure trust usually takes business operation income and government financial investment as repayment sources. As at 31 December 2021, the Company's existing infrastructure trust amounted to RMB7.21 billion, and its counterparties were mainly state-owned enterprises.

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

MANAGEMENT DISCUSSION AND ANALYSIS

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 installment 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 hired 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 2021, the Company had established consumer finance trusts totaling RMB5.490 billion, with an existing scale of RMB2.767 billion, providing consumption financial services to cumulative number of natural persons reaching 2.1687 million and established long-term and stable cooperative relations with many well-known and stable platforms with high credit rating in the industry. With the introduction of normative documents in the consumer finance industry, the business rules and business model of consumer finance have become clearer, which has laid a solid institutional foundation and provided broad development space for trust companies to standardise and steadily carry out consumer finance business.

Asset Securitisation Trusts

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

As at 31 December 2021, SITC, as the initiator and trustee of asset-backed securities, had set up 2 asset-backed securities projects with a cumulative scale of RMB7.501 billion, involving ABS, ABN, RMBS, 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Charitable Trusts

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

In recent years, the Company has actively carried out charitable trust business, and has initially established a business model of cooperation with family trusts. As at 31 December 2021, the Company had established a total of 11 standardised charitable trusts with an existing scale of approximately RMB75 million. According to the wishes of the trustor, the Company has used a total of RMB9.4742 million of trust funds and 4,829 direct beneficiaries. The charitable projects spread all over Shandong, Fujian, Jiangsu, Yunnan and other provinces and cities, which strongly promoted the development of public welfare undertakings such as providing financial aid to students, offering financial help to the poor and alleviating poverty. The development of poverty alleviation and other public welfare undertakings has effectively met the needs of customers, social organisations and government departments in public welfare and charity and social service. It was awarded the “China Financial Brand Summit and Financial Corporate Social Responsibility Conference-Top Ten Social Responsibility Projects of the Year” in 2021 and the 14th “Integrity Trust” Best Charity Trust Product Award. In 2021, the Company set up a new “Datong No.10 Charity Trust” featuring active management, self-management, online fund-raising and extensive participation, and driving more forces to participate in charity.

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

MANAGEMENT DISCUSSION AND ANALYSIS

Proprietary Business

In 2021, 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, actively implemented the investment and loan linkage mechanism, and provided great support for standardised products and the transformation and innovation of the “equity + debt” trust business. Secondly, the Company assessed the situation, transferred shares of First-Trust Fund Management Co., Ltd., and simplified the layout of financial equity investment, further focused on the main business of trust and served the transformation and development of the Company. Thirdly, with safety and liquidity being assured, short term operations such as diversified investment, efficient use of liquid funds 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 RMB1,429.2 million from its proprietary business in 2021, representing a year-on-year decrease of 5.9%, mainly due to (i) a decrease in interest income from RMB714.0 million in 2020 to RMB539.7 million in 2021; (ii) a decrease in net changes in fair value on financial assets at FVPL and investments in associates measured at fair value from an income of RMB126.6 million in 2020 to a loss of RMB206.9 million in 2021. The interest income, net changes in fair value on financial assets at FVPL and investments in associates measured at fair value are partially offset by (i) an increase in investment income from RMB146.2 million in 2020 to RMB272.9 million in 2021; (ii) an increase in net gains on disposal of associates from RMB109.9 million in 2020 to RMB333.9 million in 2021; and (iii) an increase in share of results of investments in associates accounted for using the equity accounting method from RMB368.9 million in 2020 to RMB481.3 million in 2021.

Allocation of Proprietary Assets

Pursuant to the Administrative Measures on Trust Companies (《信託公司管理辦法》) issued by the CBRC in January 2007, trust companies may engage in the following proprietary businesses: (i) deposits at banks and other financial institutions, (ii) loans, (iii) leasing, and (iv) investments, which include equity investments in financial institutions, investments in financial products and investments in fixed assets for self-use.

In conducting the Company's proprietary business, the Company allocates its proprietary assets into different asset classes and invests in businesses with strategic value for the Company's trust business in order to maintain and increase the value of its proprietary assets. The Company manages and invests its proprietary assets according to its annual assets allocation plans, which are formulated by the management of the Company and approved by the Board. The Company makes strategic long-term investments in a number of financial institutions, which helps to establish stronger business relationships with these financial institutions and create synergies for its operations. The Company also invests its proprietary assets in various types of equity products, such as listed shares and mutual funds, as well as wealth management products. The Company keeps a reasonable amount of its proprietary assets in highly liquid form, such as deposits at banks and other financial institutions and government bonds in order to maintain the Company's liquidity and satisfy capital requirement for the expansion of its trust business.

MANAGEMENT DISCUSSION AND ANALYSIS

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

	As at 31 December	
	2021	2020
	<i>(RMB in thousands)</i>	
Investments in monetary assets	2,045,734	730,299
Deposits at banks	77,253	47,042
Other monetary fund	1,299,674	651,807
Government bonds purchased under agreements to resell	668,807	31,450
Securities Investments	7,058,604	6,048,721
<i>Investment in equity products</i>	944,559	708,842
Listed shares classified as:		
– financial assets at FVPL	7,809	90,395
Subtotal	7,809	90,395
Mutual funds classified as:		
– financial assets at FVPL	936,750	618,447
Subtotal	936,750	618,447
<i>Investment in wealth management products</i>		
Investments in consolidated trust schemes	4,817,676	5,132,481
Investment in unconsolidated trust schemes classified as financial assets at FVPL	213,994	104,640
Financial investment classified as amortised cost measurement	887,634	–
Asset management products	194,741	102,758
Long-Term Equity Investments	2,245,272	1,932,383
Investment accounted for using the equity method	1,705,702	1,642,703
Investment classified as financial assets at FVPL	539,570	289,680
Proprietary Loans	1,687,504	993,950
Trust Industry Protection Fund	104,500	100,116
Total	13,141,614	9,805,469

MANAGEMENT DISCUSSION AND ANALYSIS

Monetary Assets

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

	As at 31 December	
	2021	2020
	<i>(RMB in thousands)</i>	
Investment in monetary assets		
– Deposit at banks	77,253	47,042
– Other monetary fund	1,299,674	651,807
– Government bonds purchased under agreements to resell	668,807	31,450
Total	2,045,734	730,299

	Year ended 31 December	
	2021	2020
	<i>(RMB in thousands)</i>	
Interest income generated from:		
– Deposit at banks	6,265	4,131
– Government bonds purchased under agreements to resell	12,512	6,326
Total	18,777	10,457

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 1.3% and 1.4% for the years ended 31 December 2020 and 31 December 2021, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

Securities Investments

Under the annual assets allocation plan of the Company, a certain percentage of the Company's proprietary assets would be allocated to securities investments including listed shares and mutual funds, as well as wealth management products, financial investment classified as amortised cost measurement, including investments in the Company's 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:

	Year ended 31 December	
	2021	2020
	<i>(RMB in millions, except risk category)</i>	
Risk category of underlying investments		
– Equity products	High	High
– Trust schemes	Medium	Medium
– Financial investments – amortised cost	Medium	Medium
– Asset management products	Medium	Medium
Average investment balance ⁽¹⁾		
– Equity products	826.7	677.1
– Trust schemes	5,134.4	5,297.7
– Financial investments – amortised cost	443.8	–
– Asset management products	148.7	138.4

Note:

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

The Company contemporaneously adjusted the allocation of its proprietary assets in securities investment according to market conditions. During the Reporting Period, the average balance of the Company's investments in equity products increased by 22.1% from RMB677.1 million in 2020 to RMB826.7 million in 2021; the average balance of investments in trust schemes decreased by 3.1% from RMB5,297.7 million in 2020 to RMB5,134.4 million in 2021; the average balance of the Company's financial investments – amortised cost was RMB443.8 million in 2021; and the average balance of the Company's investments in asset management products increased by 7.4% from RMB138.4 million in 2020 to RMB148.7 million in 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

Long-Term Equity Investments

The Company made strategic long-term investments in a number of financial institutions, which helped the Company establish stronger business relationships with these financial institutions and created synergies for its business operations. The following table sets forth the major equity investments of the Company in financial institutions as at 31 December 2021, including their main businesses, the Company's proportionate equity interests in them, whether the Company held any board seats, the date of the Company's first investment, and the relevant accounting treatment of each investment.

Name	Main business	Equity interest as at 31 December 2021	Board seat	First investment date	Accounting treatment
Sinotruk Auto Finance Co., Ltd. (formerly known as Shandong HOWO Auto Finance Co., Ltd.)	Automobile financing	6.52%	Yes	September 2015	Investments accounted for using the equity method
Fullgoal Fund Management Co., Ltd.	Management of securities investment funds	16.68%	Yes	April 1999	Investments accounted for using the equity method
Taishan Property & Casualty Insurance Co., Ltd.	Insurance products and services	7.40%	Yes	December 2010	Investments accounted for using the equity method
Dezhou Bank Co., Ltd.	Commercial banking	2.37%	Yes	November 2009	Investments accounted for using the equity method
Minsheng Securities Co., Ltd.	Securities brokerage, securities asset management and proprietary investment	1.16%	No	January 1999	Financial assets at FVPL

MANAGEMENT DISCUSSION AND ANALYSIS

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

	As at 31 December	
	2021	2020
	<i>(RMB in thousands)</i>	
Long-term equity investments, accounted for:		
– As associate using the equity method	1,705,702	1,642,703
– Investment categorised as financial assets at FVPL	539,570	289,680
Total	2,245,272	1,932,383

	As at 31 December	
	2021	2020
	<i>(RMB in thousands)</i>	
Dividend income generated from:		
– As associate using the equity method	120,394	60,197
– Investment categorised as financial assets at FVPL	14,166	6,768
Total	134,560	66,965

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 3.9% and 6.4% for the years ended 31 December 2020 and 31 December 2021, respectively. The increase in average return on long-term equity investments in 2021 as compared to that of 2020 was primarily due to the increase in dividend income from the associates of the Company in 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

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 2020 and 31 December 2021, the outstanding balance of the Company's proprietary loans were RMB994.0 million and RMB1,687.5 million, respectively.

Trust Industry Protection Fund

According to the Administrative Measures on Trust Industry Protection Fund (《信託業保障基金管理辦法》) issued by the CBRC in December 2014, trust companies are required to subscribe for a certain amount of the Trust Industry Protection Fund when conducting business. The Company's interests in the Trust Industry Protection Fund increased by 4.4% from RMB100.1 million as at 31 December 2020 to RMB104.5 million as at 31 December 2021.

FINANCIAL OVERVIEW

Consolidated Statement of Profit or Loss and other Comprehensive Income Analysis

In 2021, the net profit attributable to shareholders of the Company amounted to RMB468.5 million, which decreased by RMB159.3 million as compared to the corresponding period of last year, representing a decrease of 25.4%.

Results of Operations

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

	Year ended 31 December	
	2021	2020
	<i>(RMB in thousands)</i>	
Fee and commission income	829,727	1,152,419
Interest income	540,793	716,614
Net changes in fair value on financial assets at FVPL and investments in associates measured at fair value	(206,893)	126,561
Investment income	272,877	146,181
Net gains on disposal of associates	333,949	109,920
Other operating income	8,243	53,935

MANAGEMENT DISCUSSION AND ANALYSIS

	Year ended 31 December	
	2021	2020
	<i>(RMB in thousands)</i>	
Total operating income	1,778,696	2,305,630
Interest expenses	(552,096)	(620,516)
Staff costs (including directors and supervisors' emoluments)	(144,038)	(139,254)
Depreciation and amortisation	(16,490)	(13,588)
Change in net assets attributable to other beneficiaries of consolidated structured entities	(151,455)	(16,575)
Tax and surcharges	(12,701)	(11,317)
Administrative expenses	(93,251)	(78,998)
Auditor's remuneration	(1,415)	(1,972)
Impairment losses on financial assets, net of reversal	(823,432)	(1,058,799)
Impairment losses on other assets	–	(514)
Total operating expenses	(1,794,878)	(1,941,533)
Operating (loss)/profit	(16,182)	364,097
Share of results of investments in associates accounted for using the equity accounting method	481,324	368,874
Profit before income tax	465,142	732,971
Income tax credit/(expense)	3,377	(105,153)
Net profit attributable to shareholders of the Company	468,519	627,818

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:

	Year ended 31 December	
	2021	2020
	<i>(RMB in thousands)</i>	
Fee and commission income from:		
Trustee's remuneration	829,727	1,152,151
Others	–	268
Total	829,727	1,152,419

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's fee and commission income in 2021 was RMB829.7 million, representing a decrease of 28.0% as compared to RMB1,152.4 million in 2020. Such decrease was primarily due to a decrease in the Group's trustee's remuneration, which was caused by a decrease in the average AUM (average of the beginning balance and the ending balance of AUM during the Reporting Period) of the Company in 2021.

Interest Income

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

	Year ended 31 December	
	2021	2020
	<i>(RMB in thousands)</i>	
Interest income from:		
Cash and bank balance	6,704	4,131
Loans to customers	519,747	695,899
Financial investments – amortised cost	112	6,226
Financial assets purchased under resale agreements	13,167	6,326
Contribution to Trust Industry Protection Fund	1,063	4,032
Total	540,793	716,614

The Group's interest income in 2021 was RMB540.8 million, representing a decrease of 24.5% as compared to RMB716.6 million in 2020. Such decrease was primarily due to a decrease in the daily average of the scale of loans granted by the consolidated structured entities of the Group which recorded interest income in 2021, and the Group's interest income from loans to customers decreased by 25.3% from RMB695.9 million in 2020 to RMB519.7 million in 2021.

Net Changes in Fair Value on Financial Assets at FVPL and Investment in Associates Measured at Fair Value

Net changes in fair value on financial assets at FVPL and investment in associates measured at fair value decreased from a gain of RMB126.6 million in 2020 to a loss of RMB206.9 million in 2021, primarily due to (i) the transfer of the income of the Group from changes in fair value recognized in previous years to investment income from the disposal of stocks, mutual funds and investments in associates at fair value; and (ii) the increase in the fair value of bonds held by the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

Investment Income

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

	Year ended 31 December	
	2021	2020
	<i>(RMB in thousands)</i>	
Dividends income from:		
Financial assets at FVPL	59,841	6,768
Net realised gains from disposal of:		
Financial assets at FVPL	213,036	139,413
Total	272,877	146,181

The Group's investment income in 2021 was RMB272.9 million, representing an increase of RMB126.7 million as compared to RMB146.2 million in 2020. Such increase was due to (i) the increase in dividends received from financial assets at FVPL; and (ii) more gains generated by the disposal of mutual funds of the Group in 2021.

Net Gains on Disposal of Associates

In 2021, the associates held by the specific consolidated structured entities which were accounted for by the Group using the equity method were disposed of, and the Group realised a net gain of RMB333.9 million. The gains obtained in 2020 was RMB109.9 million.

MANAGEMENT DISCUSSION AND ANALYSIS

Total Operating Expenses

Interest Expenses

The Group's interest expenses 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) interest paid for inter-bank borrowings; and (iii) expected returns attributable to third-party beneficiaries of the Group's consolidated financing trusts (after offsetting the impairment losses attributable to such third-party beneficiaries).

The Group's interest expenses in 2021 were RMB552.1 million, representing a decrease of 11.0% as compared to RMB620.5 million in 2020, 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:

	Year ended 31 December	
	2021	2020
	<i>(RMB in thousands)</i>	
Salaries and bonuses	105,967	110,642
Pension costs (defined contribution plans)	13,408	7,068
Housing funds	7,089	6,276
Labour union fee and staff education expenses	2,561	2,997
Other social security and benefit costs	15,013	12,271
Total	144,038	139,254

The Company's staff costs in 2021 were RMB144.0 million, representing an increase of 3.4% as compared to RMB139.3 million in 2020, primarily due to the increase in pension costs, and other social security and welfare costs.

MANAGEMENT DISCUSSION AND ANALYSIS

Impairment losses on financial assets, net of reversal

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

	Year ended 31 December	
	2021	2020
	<i>(RMB in thousands)</i>	
Loans to customers	650,231	1,075,066
Financial investments -amortised cost	187,471	(95)
Trustee's remuneration receivable	(10,739)	(626)
Others	(3,531)	(15,546)
Total	823,432	1,058,799

Impairment losses on financial assets, net of reversal of the Group decreased by 22.2% from RMB1,058.8 million in 2020 to RMB823.4 million in 2021, which was primarily due to the provision for asset impairment made by the Group based on the principle of prudence in response to loans to customers and financial investments-amortised cost under the superimposed influence of micro economy situation, industry environment, credit environment and multiple rounds of pandemic in 2021.

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 increased by 30.5% from RMB368.9 million in 2020 to RMB481.3 million in 2021, primarily due to the increase in the net profit of certain investees.

MANAGEMENT DISCUSSION AND ANALYSIS

Profit before Income Tax and Operating Margin

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

	Year ended 31 December	
	2021	2020
	<i>(RMB in thousands)</i>	
Profit before income tax	465,142	732,971
Operating margin ⁽¹⁾	26.2%	31.8%

Note:

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

As a result of the foregoing, the Group's profit before income tax decreased by 36.5% from RMB733.0 million in 2020 to RMB465.1 million in 2021, and the Group's operating profit margin decreased from 31.8% in 2020 to 26.2% in 2021.

Income Tax Credit/(Expense)

The Group's income tax credit/(expense) changed from RMB105.2 million in 2020 to income tax credit of RMB3.4 million in 2021, primarily due to (i) the decrease in profit before income tax of the Group; and (ii) the increase in the tax influenced by tax-free income in 2021 of the Group.

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 Company's net profit margin for the periods indicated:

	Year ended 31 December	
	2021	2020
	<i>(RMB in thousands)</i>	
Net profit attributable to shareholders of the Company	468,519	627,818
Net profit margin ⁽¹⁾	26.3%	27.2%

Note:

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

As a result the foregoing reasons, the net profit attributable to the shareholders of the Company decreased by 25.4% from RMB627.8 million in 2020 to RMB468.5 million in 2021. The Group's net profit margin decreased from 27.2% in 2020 to 26.3% in 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

Segment Results of Operations

From the business perspective, the Group 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:

	Year ended 31 December	
	2021	2020
	<i>(RMB in thousands)</i>	
Trust business:		
Operating income	830,812	1,155,078
Segment income	830,812	1,155,078
Proprietary business:		
Operating income	947,884	1,150,552
Share of results of investments in associates accounted for using the equity accounting method	481,324	368,874
Segment income	1,429,208	1,519,426

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

	Year ended 31 December	
	2021	2020
	<i>(RMB in thousands)</i>	
Trust business	(248,930)	(215,486)
Proprietary business	(1,545,948)	(1,726,047)
Total operating expenses	(1,794,878)	(1,941,533)

MANAGEMENT DISCUSSION AND ANALYSIS

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:

	Year ended 31 December	
	2021	2020
	<i>(RMB in thousands)</i>	
Trust business	581,882	939,592
Proprietary business	(116,740)	(206,621)
Total profit before income tax	465,142	732,971

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:

	Year ended 31 December	
	2021	2020
Trust business	70.8%	81.3%
Proprietary business	(8.2%)	(13.6%)

MANAGEMENT DISCUSSION AND ANALYSIS

Trust Business

The segment income from the Group's trust business consists of its fee and commission income, 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 decreased by 38.1% from RMB939.6 million in 2020 to RMB581.9 million in 2021, primarily due to a decrease of 28.1% in the segment income from the trust business from RMB1,155.1 million in 2020 to RMB830.8 million in 2021 and an increase of 15.5% in the segment operating expenses in the trust business from RMB215.5 million in 2020 to RMB248.9 million in 2021.

The decrease in the segment income from the trust business was mainly due to a decrease in the Group's fee and commission income from RMB1,152.4 million in 2020 to RMB829.7 million in 2021.

The increase in the segment operating expenses in the trust business was mainly due to an increase in administrative expenses related to the Group's trust business from RMB57.3 million in 2020 to RMB85.1 million in 2021.

As a result of the foregoing, the segment margin of the trust business decreased from 81.3% in 2020 to 70.0% in 2021.

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 FVPL and investment in associates measured at fair value, investment 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 impairment losses on financial assets, net of reversal.

The segment loss before income tax for the Group's proprietary business decreased from RMB206.6 million of loss in 2020 to RMB116.7 million of loss in 2021, primarily due to a decrease of 10.4% in the segment operating expenses from the proprietary business from RMB1,726.0 million in 2020 to RMB1,545.9 million in 2021, partially offset by the decrease of 5.9% in the segment income from the proprietary business from RMB1,519.4 million in 2020 to RMB1,429.2 million in 2021.

- (1) The decrease in segment operating expenses from the proprietary business was mainly due to a decrease in the impairment losses on financial assets, net of reversal from RMB1,058.8 million in 2020 to RMB823.4 million in 2021, which are partially offset by an increase in change in net assets attributable to other beneficiaries of consolidated structured entities from RMB16.6 million in 2020 to RMB151.5 million in 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

- (2) The decrease in the segment income from the proprietary business was mainly due to (i) a decrease in interest income from RMB714.0 million in 2020 to RMB539.7 million in 2021; and (ii) a decrease in net changes in fair value on financial assets at FVPL and investments in associates measured at fair value from an income of RMB126.6 million in 2020 to a loss of RMB206.9 million in 2021. The interest income, net changes in fair value on financial assets at FVPL and investments in associates measured at fair value are partially offset by (i) an increase in investment income from RMB146.2 million in 2020 to RMB272.9 million in 2021; (ii) an increase in net gains on disposal of associates from RMB109.9 million in 2020 to RMB333.9 million in 2021; and (iii) an increase in share of results of investments in associates accounted for using the equity accounting method from RMB368.9 million in 2020 to RMB481.3 million in 2021.

As a result of the foregoing, the segment margin of the Group's proprietary business increased from -13.6% in 2020 to -8.2% in 2021.

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 2020 and 31 December 2021, the total assets of the Group (including the Company and the trust schemes over which the Company has control) amounted to RMB20,683.8 million and RMB19,062.5 million, respectively, of which the total assets of the Company amounted to RMB10,974.5 million and RMB14,271.3 million, respectively. The Group's major assets consist of (i) loans to customers, (ii) investments in associates, (iii) financial investments – amortised cost, (iv) financial assets at FVPL, (v) cash and bank balances, (vi) trustee's remuneration receivable, and (vii) financial assets purchased under resale agreements. As at 31 December 2021, the above-mentioned major assets accounted for 49.2%, 10.9%, 4.7%, 16.6%, 8.3%, 1.0% and 3.7% of the total assets of the Group, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

Loans to Customers

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

	As at 31 December	
	2021	2020
	<i>(RMB in thousands)</i>	
Corporate loans-at amortised cost	11,400,623	14,232,249
Including: issued by the Company	2,000,000	993,950
issued by consolidated structured entities	9,400,623	13,238,299
Interest receivable	193,609	72,446
Loans to customers, gross	11,594,232	14,304,695
Less: Expected credit losses allowance – loans	(2,057,573)	(1,555,395)
Expected credit losses allowance – interest receivable	(149,779)	(1,726)
Loans to customers, net	9,386,880	12,747,574
Presented as:		
Non-current assets	8,214,294	9,641,926
Current assets	1,172,586	3,105,648
Loans to customers, net	9,386,880	12,747,574

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Some of the loans granted by the Group's trust schemes to which it made proprietary investment and consolidated into the Company's financial statements were identified as impaired during the Reporting Period. The gross amount of such impaired loans increased by 13.1% from RMB8,657.3 million as at 31 December 2020 to RMB9,789.2 million as at 31 December 2021. 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 2020 and 31 December 2021 were RMB7,282.4 million and RMB7,926.1 million, respectively. The Group determined the provision for impairment losses on those loans through expected credit losses assessments and made allowance for impairment of RMB1,422.6 million and RMB1,986.2 million for these impaired loans as at 31 December 2020 and 31 December 2021, respectively, representing 16.4% and 20.3% of the gross amount of those loans, respectively. The impairment allowances provided by the Group were provided in accordance with the provisions under IFRS 9 "Financial Instruments". Such impairment allowances were measured by the difference between the carrying amount of those impaired loans and the present value of estimated future cash flows of those loans, and in particular, the disposal proceeds after deduction of expenses attributable to such disposals as at each of the respective balance sheet dates. The gross amount of such impaired loans represented 60.8% and 85.9% of the Group's gross loans to customers as at 31 December 2020 and 31 December 2021, 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 2021, the gross amount of proprietary loans and the net amount of proprietary loans of the Company accounted for 17.5% and 18.1% 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 losses allowance, net amount of such loans, as well as classification of such loans into non-current and current assets as at the dates indicated:

	As at 31 December	
	2021	2020
	<i>(RMB in thousands)</i>	
Corporate loans – at amortised cost	2,000,000	993,950
Interest receivable	149,779	–
Loans to customers, gross	2,149,779	993,950
Less: Expected credit losses allowance – Loans	(312,496)	–
Expected credit losses allowance – Interest receivable	(149,779)	–
Loans to customers, net	1,687,504	993,950
Presented as:		
Non-current assets	1,687,504	–
Current assets	–	993,950
Loans to customers, net	1,687,504	993,950

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

MANAGEMENT DISCUSSION AND ANALYSIS

Investments in Associates

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

	Equity Interest as at 31 December 2021	As at 31 December 2021	2020
<i>(RMB in thousands)</i>			
Associates of the Company, measured at equity accounting method			
Fullgoal Fund Management Co., Ltd. (富國基金管理有限公司)	16.68%	1,174,603	869,824
Taishan Property & Casualty Insurance Co., Ltd. (泰山財產保險股份有限公司)	7.40%	199,435	215,101
Sinotruk Automobile Finance Co., Ltd. (formerly known as Shandong HOWO Auto Finance Co., Ltd. (重汽汽車金融有限公司(山東豪沃汽車金融有限公司))	6.52%	209,241	207,775
Shandong Luxin New and old Kinetic Energy Conversion Venture Capital parent fund (limited partnership) (山東省魯信新舊動能轉換創投母基金合夥企業(有限合夥))	-	-	148,739
Dezhou Bank Co., Ltd. (德州銀行股份有限公司)	2.37%	119,333	110,344
First-Trust Fund Management Co., Ltd. (泰信基金管理有限公司)	-	-	52,410
Tailong Health Industry Investment Company Limited (太龍健康產業投資有限公司)	-	-	35,626
Anhui Luxin Equity Investment Fund Management Co., Ltd. (安徽魯信股權投資基金管理有限公司)	25.00%	3,090	2,884
Gross amount		1,705,702	1,642,703
Less: Impairment		-	-
Subtotal		1,705,702	1,642,703
Associates indirectly held by the Group through consolidated structured entities, measured at equity accounting method			
Shandong Provincial Financial Asset Management Co., Ltd. (山東省金融資產管理股份有限公司)	-	-	674,489
Others		19,284	71,859
Gross amount		19,284	746,348
Less: Impairment		(2,000)	(10,000)
Subtotal		17,284	736,348

MANAGEMENT DISCUSSION AND ANALYSIS

	Equity Interest as at	As at 31 December	
	31 December 2021	2021	2020
		<i>(RMB in thousands)</i>	
Associates indirectly held by the Group through consolidated structured entities, measured at fair value			
Tengzhou Haide Park Property Co., Ltd. (滕州海德公園地產有限公司)	–	–	151,210
Huizhou Zhengfeng Industrial Investment Co., Ltd. (惠州市正豐實業投資有限公司)	–	–	120,000
Cangzhou Liangsheng Property Co., Ltd. (滄州梁生房地產開發有限公司)	–	–	111,088
Nanyang Liangheng Real Estate Co., Ltd. (南陽梁恒置業有限公司)	49.00%	88,849	82,320
Tianjin Liangxin Property Development Co., Ltd. (天津梁信房地產開發有限公司)	–	–	89,047
Huangshi Liangsheng Real Estate Development Co., Ltd. (黃石梁晟房地產開發有限公司)	28.00%	116,238	94,179
Tianjin Liangshun Property Development Co., Ltd. (天津梁順房地產開發有限公司)	–	–	70,496
Nanyang Zhongliang Chengtong Real Estate Co., Ltd. (南陽中梁城通置業有限公司)	20.00%	63,059	49,315
Ankang Liangsheng Jiye Property Co., Ltd. (安康梁盛基業置業有限公司)	20.00%	36,424	37,840
Yunnan Hongshan City Investment Development Co., Ltd. (雲南虹山城市投資發展有限公司)	15.00%	27,928	30,000
Weifang Hengru Real Estate Co., Ltd. (濰坊恒儒置業有限公司)	15.00%	16,820	15,000
Shenzhen Qianhai Run Xin Investment Co., Ltd. (深圳前海潤信投資有限公司)	–	–	13,234
Subtotal		349,318	863,729
Total		2,072,304	3,242,780

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Assets at FVPL

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

	As at 31 December	
	2021	2020
	<i>(RMB in thousands)</i>	
Listed shares	7,809	90,395
Equity investments in unlisted entities	1,213,665	289,680
Asset management products	194,741	107,077
Mutual funds	1,032,197	618,447
Bonds	388,825	886,168
Investments in trust schemes	213,994	129,436
Investments in Trust Industry Protection Fund	113,228	115,253
Total	3,164,459	2,236,456

The changes in the major composition of the Group's financial assets at FVPL 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 FVPL increased by 41.5% from RMB2,236.5 million as at 31 December 2020 to RMB3,164.5 million as at 31 December 2021, primarily due to the Group's (i) increase of the equity investments in unlisted entities; (ii) increase of the investments in asset management products; (iii) increase of the investments in mutual funds; (iv) increase of the investments in trust schemes; (v) decrease of the investments in listed shares and (vi) decrease of the investment in bonds.

Cash and Bank Balances

As at 31 December 2020 and 31 December 2021, the Group's cash and bank balances amounted to RMB969.5 million and RMB1,586.6 million, respectively, of which RMB698.8 million and RMB1,376.9 million, respectively, were proprietary assets of the Company, and the remaining was cash and bank balance of the Group's consolidated trust schemes.

MANAGEMENT DISCUSSION AND ANALYSIS

Trustee's Remuneration Receivable

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

Trustee's remuneration receivable of the Group increased by 20.7% from RMB165.9 million as at 31 December 2020 to RMB200.1 million as at 31 December 2021. 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 2022, 25.6% of the trustee's remuneration receivable was recovered.

Financial Assets Purchased under the Agreements to Resell

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

The Group's government bond purchased under reverse repurchase agreements to resell increased by 551.1% from RMB107.1 million as at 31 December 2020 to RMB697.6 million as at 31 December 2021. 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 Group's government bond purchased under reverse repurchase agreements to resell as at 31 December 2020 and 31 December 2021, respectively.

Contribution to Trust Industry Protection Fund due from Counterparty Clients

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

MANAGEMENT DISCUSSION AND ANALYSIS

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 RMB289.4 million and RMB11.6 million as at 31 December 2020 and 31 December 2021, respectively, among which RMB179.5 million and RMB8.9 million were classified as non-current assets, and RMB109.9 million and RMB2.7 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.

Liabilities

As at 31 December 2020 and 31 December 2021, the Group's total liabilities amounted to RMB10,508.7 million and RMB8,411.3 million, respectively. As a trust company in the PRC, the Company is not allowed to incur any debt in operating its business other than through inter-bank borrowings or otherwise allowed by the CBIRC. The Group's major liabilities during the Reporting Period included net assets attributable to other beneficiaries of consolidated structured entities (both current and non-current portions), short-term borrowings, salary and welfare payable (both current and noncurrent portions) and other current liabilities. As at 31 December 2021, the net assets attributable to other beneficiaries of consolidated structured entities (both current and non-current portion), short-term borrowings, salary and welfare payable (both current and non-current portion) and other current liabilities accounted for 62.8%, 19.1%, 1.4% and 15.4% of the Group's total liabilities, respectively.

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

The net assets attributable to other beneficiaries of the consolidated structured entities represent third-party beneficiaries' share of net assets of the Company's 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 noncurrent portions) decreased by 44.1% from RMB9,459.8 million as at 31 December 2020 to RMB5,285.0 million as at 31 December 2021. 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Short-term Borrowings

As at 31 December 2021, the Group's short-term borrowings amounted to RMB1,604.2 million were interest-bearing loans from China Trust Protection Fund Co., Ltd. that fall due and were repaid in February and March 2022.

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 the Trust Industry Protection Fund collected from counterparty clients of the Company's financing trusts, deferred trustee's remuneration, fund due to the unconsolidated structured entries managed by the Company, and value-added tax and surcharges for trusts.

The Company's Trust Industry Protection Fund collected from counterparty clients of its financing trusts decreased from RMB196.0 million as at 31 December 2020 to RMB194.0 million as at 31 December 2021.

The Company's deferred trustee's remuneration increased from RMB13.9 million as at 31 December 2020 to RMB30.8 million as at 31 December 2021.

The fund due to the unconsolidated structured entities managed by the Company as at 31 December 2021 was RMB596.3 million, which was paid in January 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 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 2021, the outstanding VAT for trusts and the related surcharges amounted to RMB46.3 million.

Off-balance Sheet Arrangements

As at 31 December 2021, the Group did not have any outstanding off balance sheet guarantees or foreign currency forward contracts.

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

As at 31 December 2020 and 31 December 2021, the Company had consolidated 50 and 32 of the trust schemes under its management, respectively, and the total trust assets of these consolidated trust schemes were RMB15,220.3 million and RMB10,427.6 million, respectively. The following table sets forth changes in the number of the Group's consolidated trust schemes during the Reporting Period:

	As at 31 December	
	2021	2020
Beginning:	50	58
Newly consolidated trust schemes	5	10
Deconsolidated trust schemes	23	18
Ending:	32	50

MANAGEMENT DISCUSSION AND ANALYSIS

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

	As at 31 December	
	2021	2020
	<i>(RMB in millions)</i>	
Total assets of the Company	14,271	10,975
Total assets of consolidated trust schemes	10,428	15,220
Consolidation adjustment	(5,636)	(5,511)
Total assets of the Group	19,063	20,684

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

	As at 31 December	
	2021	2020
	<i>(RMB in millions)</i>	
Total liabilities of the Company	3,695	889
Total liabilities of consolidated trust schemes	10,428	15,220
Consolidation adjustment	(5,712)	(5,600)
Total liabilities of the Group	8,411	10,509

MANAGEMENT DISCUSSION AND ANALYSIS

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

	As at 31 December	
	2021	2020
	<i>(RMB in millions)</i>	
Total equity of the Company	10,576	10,086
Consolidation adjustment	76	89
Total equity of the Group	10,652	10,175

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

	Year ended 31 December	
	2021	2020
	<i>(RMB in millions)</i>	
Net profit attributable to the Company's shareholders before consolidation of trust schemes	484	587
Impact of consolidation of trust schemes	(15)	41
Net profit attributable to the Group's shareholders after consolidation of trust schemes	469	628

MANAGEMENT DISCUSSION AND ANALYSIS

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 as floating trustee's remuneration as are calculated according to the relevant terms in the trust contracts; and
- (3) Whether the Company controls the trust scheme that the Company not only has the power over the trust scheme and exposure or rights to variable returns from its involvement, but also the ability to use its power to affect the returns from the trust scheme. As the Company is responsible for the planning, pricing, setting of beneficial rights, management and operations of those actively managed trust schemes as the trustee, the Company may have the ability to significantly affect its returns from such trust schemes. For example, where the Company subscribes a significant portion of a trust scheme, or in case the Company decides to provide liquidity support to a troubled trust, the Company intentionally uses its rights as the trustee and ability to invest using proprietary funds, so as to associate itself with the variable returns from such trust schemes.

MANAGEMENT DISCUSSION AND ANALYSIS

Under 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.

MANAGEMENT DISCUSSION AND ANALYSIS

RISK MANAGEMENT

Overview

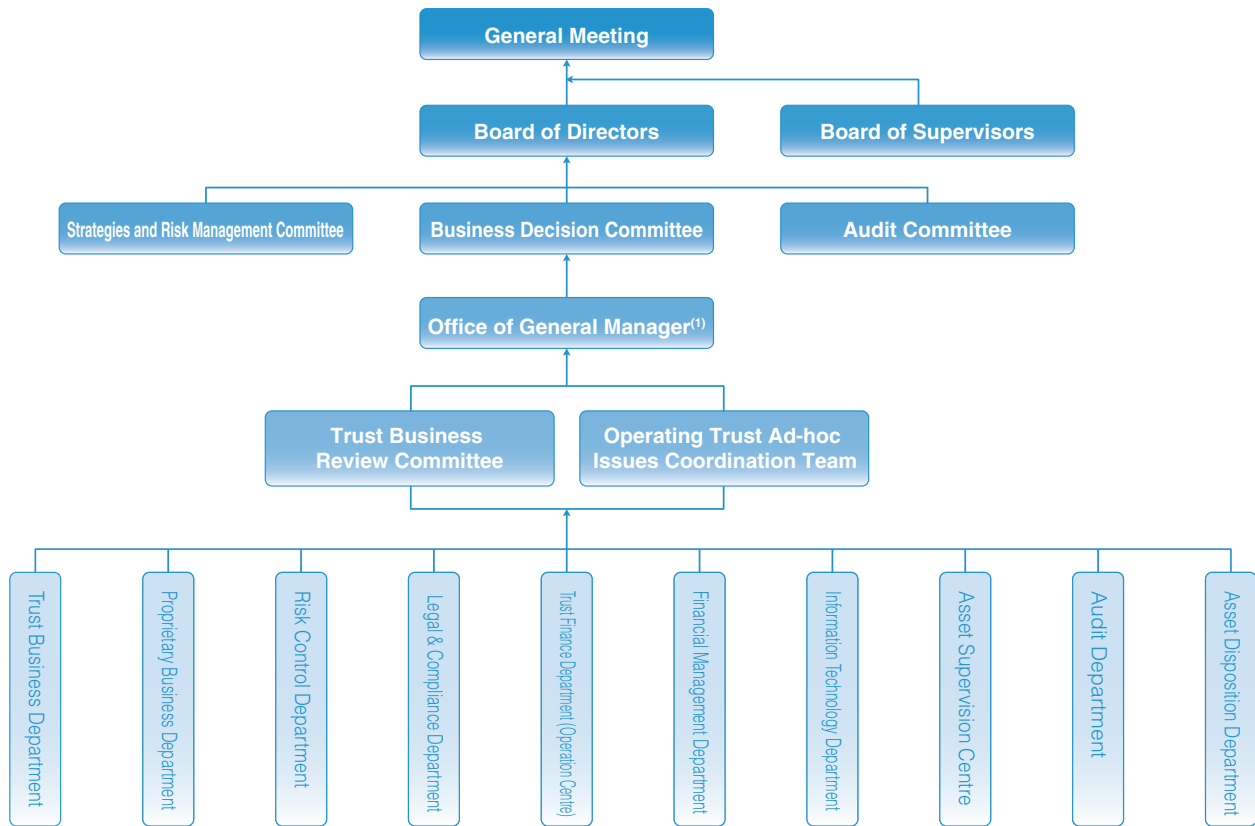
The Company has been devoted to establishing risk management and internal control systems consisting of objectives, principles, organisational framework, procedures and methods against key risks that the Company considers to be appropriate for its business operations, and the Company has developed a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

Risk Management Organisational Structure

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

MANAGEMENT DISCUSSION AND ANALYSIS

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



Note:

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

MANAGEMENT DISCUSSION AND ANALYSIS

Factors Affecting the Company's Results of Operations

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

General Economic and Financial Market Conditions

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Regulatory Environment

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business Lines and Product Mix

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

MANAGEMENT DISCUSSION AND ANALYSIS

Competition

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

Credit Risk Management

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

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

Credit Risk Management on Trust Business

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

Credit Risk Management on Proprietary Business

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

Market Risk Management

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

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity Risk Management

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

During the Reporting Period, the Company conducted periodical forecasts of the Company's cash flows and monitored the short-term and long-term capital needs of the Company to ensure sufficient cash reserve and financial assets that could be readily convertible into cash. As at 31 December 2021, the Group's current liabilities exceeded its current assets by RMB2,305.3 million. Having considered the cash flows from operations and sources of finance, the Directors consider that the Group will have sufficient working capital to maintain operations for the twelve-month period following 31 December 2021 and repay its debts as they fall due. For conditions of the liquidity and financial resources of the Group, please refer to the section headed "Management Discussion and Analysis" – "Liquidity and Financial Resources" of this annual report.

Compliance Risk Management

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

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

Operational Risk Management

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

Reputational Risk Management

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

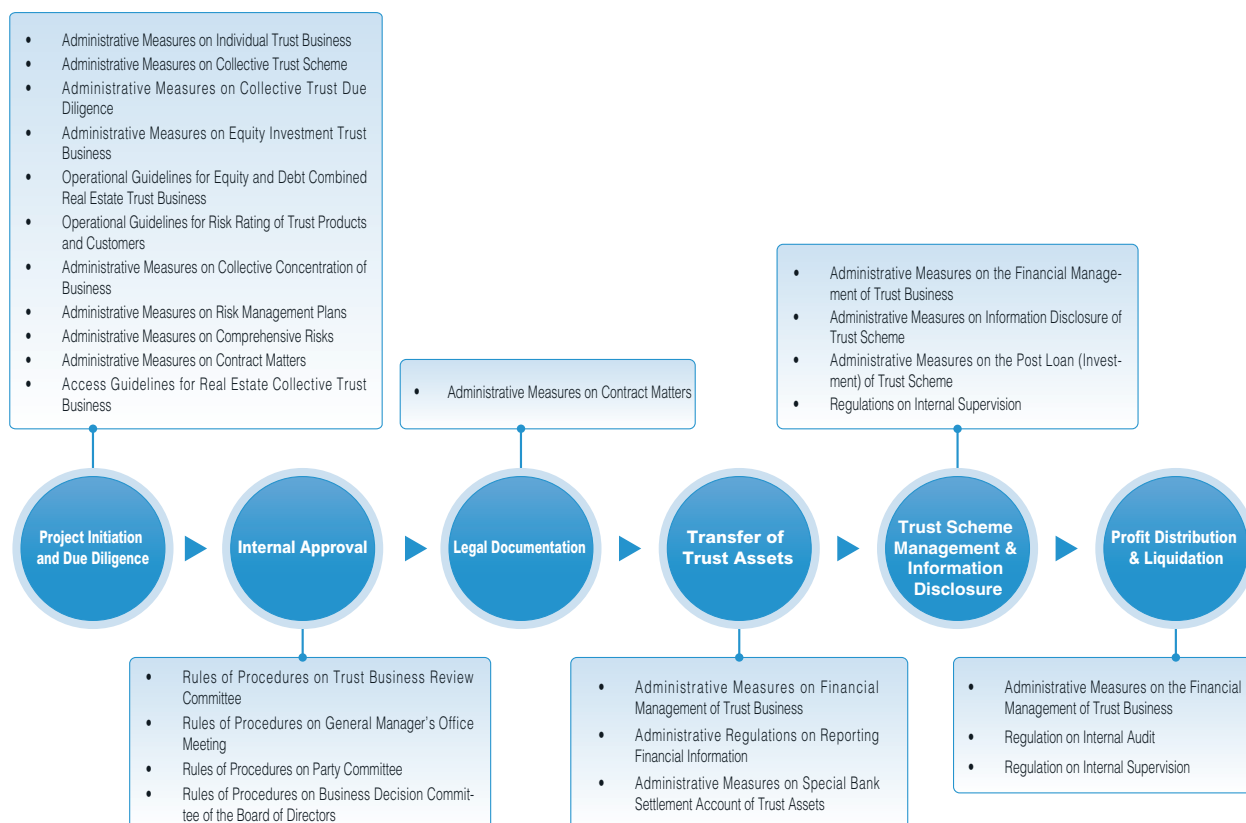
MANAGEMENT DISCUSSION AND ANALYSIS

Other Risk Management

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

Risk Management Systems and Policies

The Company has put in place systems and policies in every aspect and stage of our business operation. These internal systems constitute a complete risk management system. During the Reporting Period, the Company formulated the Guidelines for the Access to Real Estate Collective Trust Business and other capital market trust business system and product sales management system, continuously and effectively improving the risk management level of the trust business. The (part of) main systems and policies applicable to the Company's trust business may be illustrated as follows:



MANAGEMENT DISCUSSION AND ANALYSIS

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

Anti-money Laundering Management

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

CAPITAL MANAGEMENT

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

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

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

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

As at 31 December 2021, the Company's net capital was approximately RMB8.446 billion, which is not less than RMB200 million; the total risk-based capital was approximately RMB3.288 billion; the ratio of net capital to total risk-based capital was 256.85%, which is not lower than 100%; and the ratio of net capital to net asset was 79.82%, which is not lower than 40%.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2021, the Group's current liabilities exceeded its current assets by RMB2,305.3 million, with current assets of RMB5,509.5 million and current liabilities of RMB7,814.8 million. As at 31 December 2021, the Group had cash and bank balances totaling RMB1,586.6 million. As at 31 December 2021, the Group's current liabilities included RMB4,717.1 million in respect of net assets attributable to other beneficiaries of consolidated structured entities.

In view of the net current liabilities position, the Directors have given consideration to the future liquidity and performance of the Group in assessing whether the Group will have sufficient financial resources to continue as a going concern. Having considered the cash flows from operations and sources of finance, the directors consider that the Group will have sufficient working capital to maintain operations for the twelve-month period following 31 December 2021 and repay its debts as they fall due. Accordingly, the audited consolidated financial statements have been prepared on a going concern basis. For relevant details, please refer to the section headed "Notes to Consolidated Financial Statements – 2 Basis of Preparation" of this annual report.

HUMAN RESOURCES MANAGEMENT

Guided by the target of corporate strategies for the human resources work in 2021, the Company adheres to the "1+3+X" reform implementation path, carries out business transformation and mechanism reform, and promotes the transformation and breakthrough of talent work through the double promotion of business and management, so as to realize the high-quality development of talent team construction..

Optimising the organisational structure and improving operation efficiency. By adopting the approach of "business division+department system", the Company has established three business divisions: wealth management business division, capital market business division and family trust business division, set up business centers directly under the business divisions in North China, East China, South China, Central and Western China, and newly set up and integrate some middle and back-end offices to provide strong support for the front-end office and ensure the smooth development of the Company's business.

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

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

Realising the co-growth of the Company and employees. The Company has set up a dual-channel system of "management sequence" and "professional sequence" development to broaden the promotion channels of employees and reasonably meet the career development demands of employees. We provide employees with a multi-level, year-round training programme, and exert great efforts in improving the comprehensive quality and work skills of employees. We carry out internal training by means of internal case sharing and engaging external professional mentors. We offer various online courses for employees. We keep improving the development of the Company's training system by combining compulsory courses with optional courses, focusing on training credits and continuously improving the construction of training system of the Company. We provide efficient, professional and all-around training according to the needs of different posts and levels.

MANAGEMENT DISCUSSION AND ANALYSIS

Orderly organising labour unions and fully safeguarding the rights and interests of employees. We distribute pandemic prevention materials such as masks, wet wipes, alcohol and disinfectant to all employees, thus ensuring the life and health of employees; strengthen the management of employees' business trip, formulate management requirements for business trip filing, and realise zero cases of epidemic prevention and control in 2021. Meanwhile, the Company's operations have never been affected by any strike or significant labour dispute. The Company's management will continue to maintain good relationships with the labour union and its employees.

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

As at 31 December 2020 and 31 December 2021, the Company has a total of 235 and 350 employees, respectively. The number and percentage of different employees by departments are as follows:

	31 December 2021		31 December 2020	
	Number of employees	%	Number of employees	%
Management	13	3.72	8	3.41
Trust business employees	136	38.86	91	38.72
Proprietary business employees	4	1.14	11	4.68
Wealth management employees	77	22.00	25	10.64
Risk management and audit employees	39	11.14	27	11.49
Financial and accounting employees	7	2.00	16	6.81
Operation management employees	32	9.14	31	13.19
Other staff ⁽¹⁾	42	12.00	26	11.06
Total	350	100	235	100

Note:

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

MANAGEMENT DISCUSSION AND ANALYSIS

As at 31 December 2020 and 31 December 2021, the details of employees by age are as follows:

	31 December 2021		31 December 2020	
	Number of employees	%	Number of employees	%
Aged 25 and below	5	1.43	10	4.25
Aged 26–29	45	12.86	35	14.89
Aged 30–39	229	65.43	138	58.73
Aged 40 and above	71	20.28	52	22.13
Total	350	100	235	100

As at 31 December 2020 and 31 December 2021, the details of employees by education level are as follows:

	31 December 2021		31 December 2020	
	Number of employees	%	Number of employees	%
Doctoral degree and above	7	2.00	6	2.55
Master's degree	250	71.43	177	75.32
Bachelor's degree	86	24.57	43	18.30
Junior college and below	7	2.00	9	3.83
Total	350	100	235	100

MANAGEMENT DISCUSSION AND ANALYSIS

FUTURE PROSPECT

In the coming period, the COVID-19 pandemic will still be a major uncertain factor affecting the global economic recovery. Supply bottlenecks and energy shortages may cause overseas production and consumption to be blocked and inflation to last longer. It is difficult for global economic activities to return to normal in the short term, and the recovery momentum will slow down; meanwhile, the monetary policies of major developed economies have begun to adjust, so we shall pay close attention to the possible financial market shocks and spillover effects on emerging economies. The recovery and development of domestic economy encounter triple pressure of demand contraction, supply shock and expected weakening. It is necessary to make steady progress while maintaining stability, strengthen cross-cycle regulation and support high-quality economic development. China is a tremendous economic entity with strong resilience and unchanged long-term economic fundamentals. The characteristics of great development potential and broad room for maneuver are obvious, and the market players are full of vitality.

With the continuous expansion of middle-income groups in China and the continuous accumulation of residents' wealth, the wealth management needs of high-net-worth individuals are increasing day by day, and the development prospect and business space of trust companies are very broad. The trust industry will actively implement national policies, serve the real economy as the guide, continuously optimise and improve the multi-level and wide-coverage business system suitable for the real economic structure, social financing needs and wealth management needs, reshape the new advantages and capabilities of the trust industry development, and promote the high-quality development of the industry to achieve new results.

Guided by the "14th Five-Year Plan", SITC will firmly transform under the guidance of supervision, actively grasp the new opportunities of capital market development, optimise and improve the traditional business model, make every effort to build an "allocation-oriented" wealth management system, accelerate the promotion of differentiated asset management capabilities, continuously expand the practice of green trust business, actively promote common prosperity, provide high-quality financial services for the development of the real economy and the better life of the people, and become a respected professional wealth management institution based on asset allocation.

MANAGEMENT DISCUSSION AND ANALYSIS

KEY TASKS FOR 2022

In 2022, the Company firmly hold the general principle of “pursuing progress while ensuring stability”, comply with the regulatory orientation and market needs, take the chance of deeply carrying out the activity of “The Year of Refine Management Improvement”, coordinate pandemic prevention and control, reform and development and risk control, and comprehensively enable the organisational system more scientization, business processes more systematisation and rules and regulations more standardisation, so as to achieve high-quality development.

Firstly, focusing on transformation and innovation of the main business, accelerating the promotion of both standard and non-standard products. The Company will strengthen the market-oriented reform, focus on the improving the quality of the main business, promote the transformation of business structure to pay, equal emphasis on financing and investment, as well as non-standard and standard products, and strive to improve professional investment capabilities and standard products allocation levels; actively carry out customized business for institutions, consolidate and enhance the competitive advantages of family trust and inclusive finance; focus on key businesses such as cash management, bond investment, portfolio investment and asset securitisation, strengthen the construction of investment and research capacity, further broaden cooperation channels, continue to expand business scale and effectively improve market competitiveness.

Secondly, based on the transformation of wealth management, giving full play to the advantages of the core license of account management. We will focus on the three strategies of “individual + institution”, “standard + non-standard” and “online + offline” to promote the transformation of the Company’s wealth management; vigorously expand the business of institutional customers and expand the consignment channels of financial institutions; adhere to the implementation of the national exhibition industry layout and the market-oriented and professional development of the financial planners, continue to strengthen the construction of the Company’s wealth network, and comprehensively improve the exhibition industry ability and marketing strength; promote the serialisation of products and the branding of wealth management in an orderly manner, strive to build a one-stop customer self-service platform online, create outlets with excellent customer experience, so as to improve the popularity and influence of wealth brands.

Thirdly, actively implementing the mission of financial state-owned enterprises and continuing to serve the development of the real economy. We will actively respond to the requirements of the state and regulatory policies, unswervingly fulfill the responsibilities of state-owned enterprises, based on our own resource endowment, play comparative advantages, and support the development of the real economy with multiple measures. We will fully connect financial institutions and enterprise customers, comprehensively mobilise multi-party resources, focus on key areas such as new infrastructure, strategic emerging industries, green finance and small, medium and micro enterprises, and help enterprises broaden financing channels and reduce financing costs through loans, debt investment, equity investment and industrial funds.

MANAGEMENT DISCUSSION AND ANALYSIS

Fourthly, continuing improving financial technology capabilities and helping business transformation. We will focus on building a service-oriented technology model based on capability improvement and driven by the integration of steady-state and agile, reconstruct the IT system architecture, and complete the construction of standard asset management system, asset securitisation system and family trust system. We will continue to optimize the function of wealth APP, realise the mobile exhibition industry of family trust, and promote the implementation of upgraded versions of comprehensive management platform, registration and transfer system and data centre, so as to provide solid support for the transformation and development of the Company.

Fifthly, comprehensively improving the quality of refined management and preventing and resolving major risks. We will, taking the “Year of Refined Management Improvement” as an opportunity and following the idea of the “headquarters specialisation, remote integration”, continue to optimise and upgrade the organisational structure and human resources system, with the work process and post responsibilities as the starting point, improve the Company’s systems, processes and systems, break through the development bottleneck, consolidate the management foundation to fully release the reform dividend. We will fully implement the risk management culture of “comprehensive, full staff and whole process”, and improve the comprehensive risk management system based on the “four lines of defense” of business development, risk compliance, audit and discipline inspection and supervision; and consolidate the main responsibility for risk mitigation, and take multiple measures to increase the disposal of risk projects.

SIGNIFICANT EVENTS

CHANGE OF SHAREHOLDING OF SHAREHOLDERS

On 3 September 2020, the Company received a notice from Lucion Group that Shandong HighTech Venture Capital Co., Ltd. (“**Shandong High-Tech Investment**”), a wholly-owned subsidiary of Lucion Venture Capital Group Co., Ltd. (“**Lucion Venture Capital**”) intends to transfer all of its direct shareholding of 4.83% equity interest in the Company, being a total of 225,000,000 domestic shares, to Lucion Group by way of non-public agreement at a transfer price of RMB2.1614 per share, with the total transfer price of RMB486,315,000 (the “**Proposed Equity Transfer**”).

The Proposed Equity Transfer will be conducted in accordance with the Measures for the Supervision and Administration of State-Owned Shares of Listed Companies (《上市公司國有股權監督管理辦法》) jointly promulgated by the State-owned Assets Supervision and Administration Commission of the State Council of the PRC, the Ministry of Finance and the CSRC. As at 3 September 2020, Lucion Group holds 69.57% equity interest in Lucion Venture Capital. Lucion Venture Capital and Shandong High-tech Investment are non wholly-owned subsidiaries directly and indirectly held by Lucion Group, respectively. As Lucion Venture Capital is a company listed on the Shanghai Stock Exchange, the Proposed Equity Transfer involves related party transaction, which shall be subject to the applicable laws and regulations of the PRC and consideration and approval at the general meeting of Lucion Venture Capital, and submission to the relevant regulatory authorities including the CBIRC for review and approval. The Company has received a notice from Lucion Group in November 2021 that Lucion Venture Capital and Lucion Group had decided to terminate the Proposed Equity Transfer as the relevant conditions of the Proposed Equity Transfer were yet to be available.

PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION, THE PROCEDURAL RULES FOR THE BOARD OF DIRECTORS, THE PROCEDURAL RULES FOR THE BOARD OF SUPERVISORS AND THE PROCEDURAL RULES FOR THE GENERAL MEETING

In order to further improve the corporate governance structure, strengthen the decision-making capability of the Board of Directors and optimise the functions of the special committees under the Board of Directors, the Company carried out optimisation and adjustment to certain committees under the Board of Directors, particularly including: (1) the consolidation of “Human Resources and Nomination Committee” and “Remuneration Committee” into “Nomination and Remuneration Committee”; and (2) the addition of compliance management duties to the Strategies and Risk Management Committee (戰略與風控委員會), which was renamed as “Strategies and Risk Management Committee” (戰略與風險管理委員會) (English name remains the same). According to the Provisional Measures of Equity Management of Trust Companies (《信託公司股權管理暫行辦法》), and the actual situation of the Company, the Company proposed to create new position of external Supervisors. The Company also proposed to revise the corresponding provisions in the Articles of Association in accordance with the amendment of titles of the senior management of the Company. Pursuant to the relevant requirements of the aforesaid regulatory authorities and the actual situation of the Company, the Board of Directors proposed to amend the Articles of Association in relation to (1) the establishment of the committees under the Board of Directors; (2) the establishment of the position of external Supervisors; and (3) the relevant provisions regarding the titles of senior management personnel of the Company (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 Board of Directors, the Procedural Rules for the General Meeting and the Procedural Rules for the Board of Supervisors, respectively.

SIGNIFICANT EVENTS

The Proposed Amendments to the Articles of Association have been considered and approved by the shareholders at the 2020 AGM, and became effective upon approval by the Shandong Office of CBIRC on 14 October 2021. 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 at the 2020 AGM, and became effective upon approval by the Shandong Office of CBIRC from 14 October 2021.

Save for the above, during the Reporting Period and as of the date of this annual report, 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 Hong Kong Stock Exchange.

POTENTIAL DISPOSAL THROUGH PUBLIC TENDER PROCEDURES

The Company intends to dispose of its 16.675% equity interests in Fullgoal Fund Management Co., Ltd. (the "**Equity Interest in Fullgoal Fund**") and all the debts (the "**Debts**") under certain collective fund trust scheme (collectively, the "**Potential Disposal**") by means of public listing for transfer in Shandong Financial Assets Trade Centre Co. Ltd. The initial listed prices of the Equity Interest in Fullgoal Fund and the Debts are set based on the appraised value. The Company will initiate a public tender procedure for the Potential Disposal, and the potential purchasers shall submit purchase applications during the listing-for-sale period in accordance with relevant regulations. Upon completion of the listing-for-sale period, the qualified purchaser who offers the highest effective quotation will be the transferee. As at the date of this annual report, no bidding agreements in relation to the Potential Disposal have been entered into by the Company.

MATERIAL LEGAL PROCEEDINGS AND ARBITRATION

As at 31 December 2021, the Company, being the plaintiff and applicant, was involved in 10 pending material litigations or arbitration cases involving an amount of more than RMB10 million; the value of litigations and arbitration cases in which we were involved totaled approximately RMB5,173.16 million. These cases were mainly brought by the Company against the relevant counterparty clients due to their failure to repay the loans granted by the trusts of the Company.

As at 31 December 2021, the Company, being the defendant and respondents, was not involved in pending material litigations or arbitration cases.

MATERIAL ASSETS ACQUISITION, SALE AND MERGER

During the Reporting Period, the Company had no material assets acquisition, sale and merger.

SIGNIFICANT EVENTS

PENALTIES IMPOSED ON THE COMPANY AND DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT

On 29 December 2021, the Shandong Office of CBIRC issued the “Administrative Penalty Decision” (Lu Yin Bao Jian Fa Jue Zi [2021] No. 69) to the Company to impose a fine of RMB350,000 for illegal provision of real estate financing. The Company has paid the above fines.

Save as disclosed above, during the Reporting Period, no penalty was imposed on the Company and the Directors, Supervisors and senior management.

PROVISIONAL REPORT ON MATERIAL ISSUES

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

IMPORTANT INFORMATION WHICH THE CBIRC AND ITS PROVINCIAL OFFICES CONSIDERED NECESSARY TO INFORM CLIENTS AND STAKEHOLDERS

Save as disclosed in this annual report, for the year ended 31 December 2021, the Company did not have other important information which the CBIRC and its provincial authorities considered necessary to inform clients and stakeholders.

RECTIFICATION OPINION ISSUED BY THE CBIRC AND ITS LOCAL OFFICES UPON INSPECTION OF THE COMPANY

In April, July and September 2021, the Shandong Office of CBIRC conducted an on-site investigation of the business of the Company in the first, second and third quarters, and the Company actively cooperated with the Shandong Office of CBIRC to complete the inspection work.

In 2021, the Company received a total of 16 Off-site Supervision Opinions issued by the Shandong Office of CBIRC, concerning the restrictions on channel business, risk investigation of existing business, collateral management and other aspects. The Company actively carried out rectification work in accordance with regulatory requirements, and the relevant reports or rectification plans have been submitted to the Shandong Office of CBIRC in a timely manner.

In 2021, the Shandong Office of CBIRC issued four “Regulatory Inquiries” to the Company, and the Company has timely submitted a letter of representation, investigation results and rectification plan in accordance with the regulatory requirements.

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



3 CORPORATE
GOVERNANCE

Changes in Share Capital and Shareholdings of Substantial Shareholders	86
Directors, Supervisors and Senior Management	90
Corporate Governance Report	107
Report of the Board of Directors	139
Report of the Board of Supervisors	154

CHANGES IN SHARE CAPITAL AND SHAREHOLDINGS OF SUBSTANTIAL SHAREHOLDERS

CHANGES IN SHARES

Category of shares	31 December 2020		Increase or decrease during the Reporting Period	31 December 2021	
	Number of shares	Percentage (%)		Number of shares	Percentage (%)
Domestic Shares	3,494,115,000	75	–	3,494,115,000	75
H Shares	1,164,735,000	25	–	1,164,735,000	25
Total	4,658,850,000	100	–	4,658,850,000	100

CHANGES IN SHARE CAPITAL AND SHAREHOLDINGS OF SUBSTANTIAL SHAREHOLDERS

NUMBER OF SHAREHOLDERS AND SHAREHOLDINGS

As at 31 December 2021, according to the registers of members of the Company, the Company had 59 holders of H Shares (provided by H Share Registrar) and six holders of Domestic Shares in total.

As at 31 December 2021, the shareholding of top ten Shareholders of the Company is set out as follows (shareholding of H Shares are calculated based on the number of shares stated in the register of members of the Company established in the H Share Registrar):

Number	Name of Shareholder(s)	Increase or decrease during the Reporting Period	Number of shareholding as at the end of the Reporting Period	Shareholding ratio as at the end of the Reporting Period (%)	Number of shares held subject to trading moratorium at the end of the Reporting Period ⁽¹⁾	Nature of Shareholder(s)	Type of shares
1	Shandong Luxin Investment Holdings Group Co., Ltd.		2,242,202,580	48.13	-	Domestic state-owned legal person	Domestic Shares
2	HKSCC Nominees Limited ⁽²⁾	+21,600	911,720,850	19.57	-	Overseas legal person	H Shares
3	CNPC Assets Management Co., Ltd.	-	873,528,750	18.75	-	Domestic state-owned legal person	Domestic Shares
4	Jinan Finance Holding Group Co., Ltd. (濟南金融控股集團有限公司)	-	252,765,000	5.43	-	Domestic state-owned legal person	H Shares
5	Shandong High-Tech Venture Capital Co., Ltd. (山東省高新技術創業投資有限公司)	-	225,000,000	4.83	-	Domestic state-owned legal person	Domestic Shares
6	Shandong Gold Group Co., Ltd. (山東黃金集團有限公司)	-	80,073,468	1.72	-	Domestic state-owned legal person	Domestic Shares
7	Weifang Investment Group Co., Ltd. (濰坊市投資集團有限公司)	-	60,055,101	1.29	-	Domestic state-owned legal person	Domestic Shares
8	Jinan Energy Investment Co., Ltd. (濟南市能源投資有限責任公司)	-	13,255,101	0.28	-	Domestic state-owned legal person	Domestic Shares
9	Individual Shareholder	-	27,000	0.00	-	Overseas individual	H Shares
10	Individual Shareholder	-	18,000	0.00	-	Overseas individual	H Shares

Notes:

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

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

CHANGES IN SHARE CAPITAL AND SHAREHOLDINGS OF SUBSTANTIAL SHAREHOLDERS

INTERESTS OF SUBSTANTIAL SHAREHOLDERS AND OTHERS

As at 31 December 2021, the Company has been notified by the following persons in relation to their interests or short positions in the shares and underlying shares of the Company which are discloseable pursuant to Divisions 2 and 3 of Part XV of the SFO, and such interests or short positions recorded in the register required to be kept under section 336 of the SFO are as follows:

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

CHANGES IN SHARE CAPITAL AND SHAREHOLDINGS OF SUBSTANTIAL SHAREHOLDERS

Notes:

- (1) All of the interests refer to long positions.
- (2) According to the authorisation of the 2018 Second Extraordinary General Meeting convened on 19 October 2018 by the Company, on 8 January 2020, the Company completed the issue of new shares to Shareholders by way of capitalisation of capital reserve on the basis of 8 new shares for every 10 existing Shares then held by Shareholders whose names were on the register of members of the Company on the Record Date (i.e. 19 December 2018). A total of 2,070,600,000 new shares were issued under the capitalisation issue, including 1,552,940,000 new domestic shares and 517,660,000 new H Shares (the “**Capitalisation Issue**”). The total Shares in issue of the Company as at 31 December 2021 were 4,658,850,000 Shares, comprising 3,494,115,000 Domestic Shares and 1,164,735,000 H Shares. The number and percentage of shares disclosed herein is equal to the number and percentage of shares reported in the form of disclosure of interests, pursuant to, the change of number of Shares arising from Capitalisation Issue did not constitute reporting obligation pursuant to the SFO and apart from the Shandong Provincial Finance Bureau, Lucion Group, Qingdao Global Wealth Center Development and Construction Co., Ltd., Qingdao Laoshan District Finance Bureau, Chang Xin Asset Management Co., Ltd., the updated number of shares were not reflected in the form of disclosure of interests.
- (3) Shandong High-Tech is a direct wholly-owned subsidiary of Lucion Venture Capital Group Co., Ltd. (“**Lucion Venture Capital**”). Lucion Venture Capital is a non-wholly owned subsidiary owned as to 69.57% by Lucion Group and therefore is deemed to be interested in all of the shares of the Company held by Shandong High-Tech, and Lucion Group is deemed to be interested in all of the shares of the Company held indirectly by Lucion Venture Capital.
- (4) Lucion Group is owned as to 90.39% by Shandong Provincial Finance Bureau and as to 9.61% by Shandong Caixin Assets Operation Co., Ltd. (“**Shandong Caixin**”), and Shandong Caixin is wholly-owned by the Shandong Provincial Finance Bureau. Shandong Provincial Finance Bureau is therefore deemed to be interested in all of the shares of the Company directly and indirectly held by Lucion Group.
- (5) CNPC Assets Management Co., Ltd. (“**CNPC Assets Management**”) is a direct wholly-owned subsidiary of CNPC Capital Company Limited (“**CNPC Capital**”) and CNPC Capital is wholly-owned by CNPC Capital Joint Stock Company with Limited Liability (“**CNPC**”). CNPC, which is an A share listed company, is held as to 77.35% by China National Petroleum Corporation. Each of CNPC Capital, CNPC and China National Petroleum Corporation are therefore deemed to be interested in all of the shares of the Company held by CNPC Assets Management.
- (6) As of 31 December 2021, Jinan Finance Holding is wholly owned by State-owned Assets Supervision and Administration Commission of Jinan Municipal People’s Government (“**Jinan SASAC**”) and Jinan SASAC is therefore deemed to be interested in all of the shares of the Company held by Jinan Finance Holding during the Reporting Period. Since 14 February 2022, Jinan Finance Holding has been directly held by Jinan Finance Bureau. To the knowledge of the Company, the number of shares reflected the interests of Jinan Finance Holding and Jinan SASAC as at 31 December 2021. Since the changes in their interests did not constitute reporting obligation pursuant to the SFO, the updated numbers of shares were not reflected in their forms for disclosure of interest.
- (7) Qingdao Global Wealth Center Development and Construction Co., Ltd. is wholly owned by Qingdao Laoshan District Finance Bureau and Qingdao Laoshan District Finance Bureau is therefore deemed to be interested in all of the shares of the Company held by Qingdao Global Wealth Center Development and Construction Co., Ltd..
- (8) Chang Xin Asset Management Co., Ltd. holds the equity of the Company’s shares as a trustee of the trust for the Chang Xin Fund-Dongfang No. 1 Single Asset Management Plan.

Details of Substantial Shareholders Disclosure Required by CBIRC

For information on substantial Shareholders disclosed as required by the CBIRC, please refer to “Disclosure of Information on Substantial Shareholders Required by CBIRC” of the section headed “Additional Information Disclosure Required by CBIRC”.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Directors

Name	Age	Gender	Date of joining/rejoining our Company	Position	Tenure	Roles and responsibilities	Name of Shareholders nominated
Wan Zhong (萬眾)	48	Male	From August 1997 to June 2012 and rejoined in March 2016	Chairperson of the Board and Executive Director	From 29 June 2021 to the expiry of the term of office of the current session of the Board	Overall management of the Company's business strategies, corporate governance and operations	Lucion Group
Wang Zengye(王增業)	51	Male	November 2021	Vice chairperson of the Board and Non-Executive Director	From 15 November 2021 to the expiry of the term of office of the current session of the Board	Providing strategic advice and making recommendations on the operations and management of the Company, and assisting the chairperson in the Board affairs	CNPC Assets Management
Fang Hao (方灝)	47	Male	March 2021	Executive Director and General Manager	From 29 June 2021 to the expiry of the term of office of the current session of the Board	Overall daily management and operations of the Company	N/A
Zhao Zikun (趙子坤)	47	Male	October 2021	Non-executive Director	From 15 October 2021 to the expiry of the term of office of the current session of the Board	Providing strategic advice and making recommendations on the operations and management of the Company	Lucion Group
Wang Bailing (王百靈)	43	Female	March 2020	Non-executive Director	From 29 June 2021 to the expiry of the term of office of the current session of the Board	Providing strategic advice and making recommendations on the operations and management of the Company	Jinan Finance Holding
Yen Huai-chiang (顏懷江)	49	Male	November 2015	Independent non-executive Director	From 29 June 2021 to the approval of the qualification of the new independent non-executive Director by the Shandong Office of CBIRC	Providing independent advice on the operations and management of the Company	N/A
Ding Huiping (丁慧平)	65	Male	September 2015	Independent non-executive Director	From 29 June 2021 to the approval of the qualification of the new independent non-executive Director by the Shandong Office of CBIRC	Providing independent advice on the operations and management of the Company	N/A
Meng Rujing (孟茹靜)	44	Female	June 2016	Independent non-executive Director	From 29 June 2021 to the expiry of the term of office of the current session of the Board	Providing independent advice on the operations and management of the Company	N/A

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Biography of Executive Directors



Wan Zhong (萬眾) Chairperson, Executive Director

Mr. Wan Zhong (萬眾), the general secretary of the Party Committee, chairperson and executive Director of the Company. Mr. Wan has over 25 years of experience in the trust and investment industries. He joined the Company in August 1997 and successively served positions in the Company, including the manager of departments, the vice general manager and the general manager of the Company from March 2016 to July 2018. From June 2012 to March 2013, he served as the vice general manager in Shandong Lucion Industrial Co., Ltd. (山東魯信實業集團有限公司) (“**Lucion Industrial**”) and Shandong Lucion Hengji Investment Co., Ltd. (山東魯信恆基投資有限公司). Mr. Wan also served as the general manager of Lucion Industrial from March 2013 to March 2014, and served as chairperson and director of the same company from September 2013 to March 2016. He served as a director of Lucion Venture Capital (Shanghai Stock Exchange listed company, stock code: 600783) from May 2016 to January 2017. Mr. Wan has been serving as the chairperson of First-Trust Fund Management Co., Ltd. (泰信基金管理有限公司) since July 2017. Mr. Wan served as the assistant to the general manager of Lucion Group from December 2017 to March 2020. Since April 2020, Mr. Wan has served as the deputy general manager of Lucion Group. Mr. Wan was accredited as a professional level of senior economist by the Economic Professional Accreditation Senior Appraisal Committee of Shandong Province (山東省經濟專業職務高級評審委員會). He graduated from Shandong Economics Academy (山東經濟學院) (currently known as Shandong University of Finance and Economics (山東財經大學)) in the PRC with a bachelor’s degree in economics in international trade and obtained his master’s degree in management from Tianjin Finance Academy (天津財經學院) in the PRC.



Fang Hao (方灝) Executive Director

Mr. Fang Hao (方灝), the executive Director and general manager of the Company. Mr. Fang has over 24 years of experience in trust industry. From July 1997 to June 2007, Mr. Fang held various positions in Jiangxi International Trust Co., Ltd. (江西國際信託股份有限公司), including the senior manager of the investment banking department and the head of the risk management department. From December 2009 to July 2010, Mr. Fang served as the general manager of risk management department at National Trust Co., Ltd. (國民信託有限公司). From July 2010 to September 2010, he served as a representative of The Bank of East Asia, Limited (東亞銀行有限公司), being a shareholder of Founder East Asia Trust Co., Ltd. (方正東亞信託有限責任公司) (currently known as Guotong Trust Co., Ltd. (國通信託有限責任公司)). In September 2010, he joined Founder East Asia Trust Co., Ltd. (方正東亞信託有限責任公司) and served as the chief risk officer from May 2011 to March 2018. From March 2018 to November 2020, Mr. Fang served as an executive vice president of Changan International Trust Co., Ltd. (長安國際信託股份有限公司), during which he had also served as the company’s acting president. Mr. Fang graduated from Jiangxi University of Finance and Economics (江西財經大學) with a bachelor’s degree in international finance in July 1997, and obtained a master’s degree in economics from Jiangxi University of Finance and Economics in June 2006. In July 2010, he obtained a Ph.D degree in economics from Renmin University of China (中國人民大學).

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Biography of Non-executive Directors



Wang Zengye (王增業) Vice Chairperson of the Board and Non-executive Director

Mr. Wang Zengye (王增業), has over 28 years of experience in economic management. From August 1993 to October 1996, he successively served as a trader and head of Futures Department of China National Cereals, Oils & Foodstuffs Import and Export Corporation (中國糧油食品進出口總公司) in Shanghai, and general manager of Tianjin Futures Department. From October 1996 to January 2000, he served as the general manager of the Tianjin business department of the COFCO Futures Co., Ltd. (中糧期貨經紀有限公司), the marketing director of the Shanghai securities branch of the Jinghua Trust Company (京華信託公司) during 2000, the deputy general manager of the business department of Tianjin Bohai Securities Co., Ltd. (天津渤海證券有限責任公司), and the deputy general manager of the brokerage business department from April 2001 to January 2003. From July 2003 to September 2004, he served as the head of the capital operation department of China National Petroleum Corporation (中國石油天然氣股份有限公司), and from September 2004 to October 2005, he served as the secretary of the general office of China National Petroleum Corporation (中國石油天然氣集團公司). From October 2005 to November 2010, he successively served as deputy director (responsible person) and head of research institute of finance and accounting research department of China Petroleum Finance Company Limited (中油財務有限責任公司), assistant to general manager, deputy general manager, general manager, committee member of Party Committee, the deputy secretary of the Party Committee and the chairman of labor union of China Petroleum Finance Company Limited from November 2010 to October 2020, and the secretary to the Party Committee and an executive director of CNPC Asset Management, and the secretary to the Party Committee of Kunlun Trust (昆侖信託) since October 2020. He has served as the supervisor of CNPC Group since February 2021 and the chairman of Kunlun Trust since June 2021. Mr. Wang graduated from Nankai University (南開大學) with a doctorate degree in Economics, majoring in International Economics, and was awarded the title of Senior Economist by China National Petroleum Corporation.



Zhao Zikun (趙子坤) Non-executive Director

Mr. Zhao Zikun (趙子坤), has more than 25 years of experience in financial management. He joined Lucion Group in January 2004 and served as business manager, deputy minister and minister of Finance Department of Lucion Group from April 2004 to March 2016. He served as the general manager of Lucion Industrial from March 2016 to January 2018, the chairman of the Company from January 2018 to October 2020 and a director since October 2020. Since October 2020, he has served as the chief financial officer (CFO) of Lucion Group, and concurrently served as the head of financial management department of Lucion Group from October 2020 to January 2022. He has served as a director of Shandong Provincial Financial Asset Management Co., Ltd. (山東省金融資產管理股份有限公司) since July 2021. Mr. Zhao was awarded the Senior Accountant by the Shandong Provincial Professional Qualification Assessment Committee and received a doctorate degree in management from Changsha University of Science and Technology (長沙理工大學).

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT



Wang Bailing (王百靈) Non-executive Director

Ms. Wang Bailing (王百靈), a non-executive Director of the Company. Ms. Wang currently serves as the head of Financial Management Department of Jinan Finance Holding, chairperson of the board of directors of Jianghai Huixin Futures Co., Ltd. (江海匯鑫期貨有限公司) and director and general manager of Quancheng International Finance Holding Co., Ltd. (全程國際金融控股有限公司), mainly responsible for investment banking, futures, assets management and international business. Ms. Wang has held positions in Jinan Finance Holding since September 2017 and served as vice head of Financial Management Department from January 2018 to November 2018 and the director and general manager of Jinan Cultural Industry Investment Co., Ltd. (濟南文化產業投資有限公司). She served as director and general manager of Jinan Financial Holding Mortgage Co., Limited (濟南金控創投有限公司) from April 2018 to July 2019. Since November 2018, she has served as the chairperson of the Quancheng Equity Fund (Shandong) Co., Ltd. (全程股權基金(山東)有限公司), director of Jinan Finance International Financial Leasing Co., Ltd. (濟南金控國際融資租賃有限公司), and director of Lucion Technology Co., Ltd. (魯信科技股份有限公司), etc.. From August 2002 to August 2017, Ms. Wang successively served as an auctioneer and assistant to the general manager of Shandong Saide Auction Co., Ltd. (山東賽得拍賣有限公司), mainly responsible for due diligence of non-performing assets and auctioneering; an editorial journalist of the "Qi lu Yicai Financial News" (《齊魯第一財經》); general manager of the Legal Department of National Agricultural Lease Co., Ltd. (國農租賃有限公司); general manager of Shandong Lesheng Asset Management Co., Ltd. (山東樂晟資產管理有限公司); and as secretary to the office of the board of directors of ShandongHuizhong New Finance Development Co., Ltd. (山東惠眾新金融發展股份有限公司). Ms. Wang Bailing obtained a master's degree in law from Yantai University.

Biography of Independent Non-executive Directors



Yen Huai-chiang (顏懷江) Independent Non-executive Director

Mr. Yen Huai-chiang (顏懷江), an independent non-executive Director of the Company. Mr. Yen has nearly 20 years of experience in the financial investment and asset management industries. He was accredited as a wealth management advisor (CFP® practitioner) by Financial Planning Association of Taiwan (FPAT) in 2005. He served as a member and officer of FPAT committee; he was accredited as an International Certified Financial Planner (CFP® practitioner) by the Financial Planning Standards Board in 2009. He was a special lecturer of the Certified Private Banker programme and the Certified Financial Planner TM Certification Education Program. He served as an associate director of UBS AG and UBS Securities Co. Limited, where he was primarily responsible for wealth management affairs. Currently, he is the founder of Panhe Family Office (磐閣家族辦公室), an institute principally engaged in family wealth management. He obtained a degree of Master of Science in finance from Golden Gate University in the United States and a doctoral degree in finance in Jinan University (暨南大學) in the PRC.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT



Ding Huiping (丁慧平) Independent Non-executive Director

Mr. Ding Huiping (丁慧平), an independent non-executive Director of the Company, a professor and doctoral advisor in accounting and head of research centre of competitiveness of enterprises in the PRC of Beijing Jiaotong University (北京交通大學). Mr. Ding has more than 18 years of experience working as an independent non-executive director and a member/chairperson of the audit committee of listed companies in the PRC and Hong Kong. Mr. Ding currently serves as an independent non-executive director of Beijing Dinghan Technology Group Co., Ltd. (Shenzhen Stock Exchange listed company, stock code: 300011), and China Haisum Engineering Co., Ltd. (Shenzhen Stock Exchange listed company stock code: 002116). He served as an independent director of China Merchants Securities Co., Ltd. (Shanghai Stock Exchange listed company, stock code: 600999) and an independent non-executive director of Huadian Power International Corporation Limited (Hong Kong Stock Exchange listed company, stock code: 1071) and (Shanghai Stock Exchange listed company, stock code: 600027), Metro Land Corporation Ltd. (Shanghai Stock Exchange listed company, stock code: 600683). He has also been serving as an external supervisor of China Merchants Bank Co., Ltd. (Hong Kong Stock Exchange listed company, stock code: 3968) and Shanghai Stock Exchange listed company, stock code: 600036) since June 2016. Mr. Ding obtained his bachelor's degree in engineering from Northeastern University (中國東北大學) in February 1982. He studied in Sweden in 1987, and obtained his associate doctoral degree in industrial engineering in 1991 and a doctoral degree in enterprise economics from Linköping University in Sweden, and conducted post-doctoral research in 1992. After returning to China in 1994, he joined the school of economic management in Northern Jiaotong University (currently known as Beijing Jiaotong University) and has worked until now. His research direction is decision-making on investment and financing of corporate finance, corporate economics and innovation management, corporate value management and supply-chain management



Meng Rujing (孟茹靜) Independent Non-executive Director

Ms. Meng Rujing (孟茹靜), an independent non-executive Director of the Company. Ms. Meng has over 18 years of research and teaching experience in the financial industry and her research areas mainly focuses on including international capital markets, active and passive investment, asset management, wealth management and PRC financial markets. She is an associate professor of finance teaching at the School of Economics and Management and a director of the Master of Finance Programme and the Master of Finance (Financial Technology) Programme in the University of Hong Kong, and the deputy director of the Asian Case Study Center. Ms. Meng has received a number of awards, including the International MBA Teaching Award jointly granted by The University of Hong Kong and Fudan University in 2014, Teaching Excellence Award granted by the University of Hong Kong in 2017, the HKU SEM Teaching Awards and the Outstanding Teacher Awards in 2006, 2012, 2017 and 2020, respectively, as well as the 2020 HKU SEM Knowledge Exchange Award and the 2020 HKU Long Service Award. Ms. Meng majored in finance and obtained her bachelor's degree in management from Guanghua School of Management of Peking University in the PRC and obtained her degree of Ph.D. in finance from Fuqua School of Business in Duke University in the United States.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Supervisors

Name	Age	Gender	Date of joining/ rejoining our Company	Position	Tenure	Roles and responsibilities	Name of Shareholders nominated
Guo Shougui (郭守貴)	57	Male	July 2018	Chairperson of the Board of Supervisors	29 June 2021 to the expiry of the term of office of the current session of the Board of Supervisors	Supervising the performance of duties by the Directors and senior management	Shandong High- Tech
Hou Zhenkai (侯振凱)	40	Male	May 2016	Supervisor	29 June 2021 to the expiry of the term of office of the current session of the Board of Supervisors	Supervising the performance of duties by the Directors and senior management	Lucion Group
Chen Yong (陳勇)	48	Male	September 2014	Supervisor	29 June 2021 to the expiry of the term of office of the current session of the Board of Supervisors	Supervising the performance of duties by the Directors and senior management	CNPC Assets Management
Wu Chen (吳晨)	47	Male	May 2015	Supervisor	29 June 2021 to the expiry of the term of office of the current session of the Board of Supervisors	Supervising the performance of duties by the Directors and senior management	Shandong Gold Group Co., Ltd.
Wang Zhimei (王志梅)	42	Female	July 2018	Supervisor	29 June 2021 to the expiry of the term of office of the current session of the Board of Supervisors	Supervising the performance of duties by the Directors and senior management	Weifang Investment Group Co., Ltd.
Li Yan (李燕)	49	Female	December 2002	Supervisor	7 January 2022 to the expiry of the term of office of the current session of the Board of Supervisors	Supervising the performance of duties by the Directors and senior management	N/A
Zuo Hui (左輝)	51	Male	December 1996	Supervisor	29 June 2021 to the expiry of the term of office of the current session of the Board of Supervisors	Supervising the performance of duties by the Directors and senior management	N/A
Zhang Wenbin (張文彬)	36	Male	September 2019	Supervisor	29 June 2021 to the expiry of the term of office of the current session of the Board of Supervisors	Supervising the performance of duties by the Directors and senior management	N/A
Wang Yan (王艷)	50	Female	October 2021	Supervisor	14 October 2021 to the expiry of the term of office of the current session of the Board of Supervisors	Supervising the performance of duties by the Directors and senior management	Qingdao Global Wealth Center Development and Construction Co., Ltd.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Biography of Supervisors



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

Mr. Guo Shougui (郭守貴), a shareholder representative Supervisor of the Company and chairperson of the Board of Supervisors. He has served as chairperson of the board of supervisors of a subsidiary of Lucion Group since December 2017. He currently also serves as the chairperson of the board of supervisors of Luxin Venture Capital (Shanghai Stock Exchange listed company, stock code: 600783) and Shandong Lucion Huijin Holding Company Limited and Luxin Capital Co., Ltd. and supervisor of Minsheng Securities Co., Ltd., full-time supervisor (vice president) of Shandong Provincial Accounting Society. From July 1986 to March 1991, Mr. Guo served as a teaching assistant in the accounting department of Shandong Economics College; from March 1991 to June 2015, Mr. Guo successively served as deputy director and director of the General Division of Shandong Economic and Trade Commission, deputy director and Party Committee member of Rizhao City Economic and Trade Commission, deputy head of Transportation Division of Shandong Economic and Trade Commission, person in charge and deputy head of Shandong SASAC Statistical Evaluation and Performance Review Division, researcher level supervisor of Shandong Province-ran Enterprises Supervisory Board, supervisor of Yankuang Group Company Limited (兗礦集團有限公司), supervisor of Shandong Business Group Company Limited (山東省商業集團有限公司) and supervisor of Shandong Energy Group Company Limited (山東能源集團有限公司). He served as Party Committee member and a secretary of the commission for discipline inspection of Shandong Petroleum and Natural Gas Development Corporation (Shandong Oil and Gas Company Limited) from June 2015 to December 2017, Mr. Guo was accredited as a senior economist by senior review committee of economics professional position in Shandong province and was certified as a Certified Senior Enterprise Risk Manager (CSERM) by the Asia Association of Risk and Crisis Management (亞洲風險與危險管理協會). Mr. Guo obtained a bachelor's degree in accounting from Shandong Economics College (山東經濟學院, now known as Shandong University of Finance and Economics (山東財經大學)) and a master's degree in business administration from Shandong University in the PRC (中國山東大學) in December 2013.



Hou Zhenkai (侯振凱) Supervisor

Mr. Hou Zhenkai (侯振凱), a shareholder representative Supervisor of the Company. He has over 13 years of experience in the legal and compliance area. Before joining the Company, he was a lawyer in the Qingdao office of King & Wood Mallesons. He has been serving in the risk and compliance department of Lucion Group since January 2013 and has been serving as the deputy department chief since March 2016, where he was primarily responsible for the legal compliance affairs of the company. Mr. Hou has served as a director of Luxin Venture Capital (Shanghai Stock Exchange listed company, stock code: 600783) since March 2018. At present, he also serves as supervisor of Shandong Investment Company Limited (山東省投資有限公司) and Shandong Cultural Tourism Group Venture Capital Co., Ltd. (山東文旅集團創業投資有限公司). Mr. Hou was qualified to trade in securities by Securities Association of China and to trade in funds by Asset Management Association of China. Mr. Hou graduated from Jilin University in the PRC with a bachelor's degree in law and obtained his master's degree in civil and commercial law from Shandong University in the PRC.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT



Chen Yong (陳勇) Supervisor

Mr. Chen Yong (陳勇), a shareholder representative Supervisor of the Company. He has over 22 years of experience in the financial industry. Prior to joining our Company, Mr. Chen served in different departments in China National Petroleum Xinjiang Sales Company (中國石油新疆銷售公司), including the general office and the finance and audit department of the company. He then served as the deputy division chief of the finance division and the division chief of the corporate management division of China National Petroleum Xinjiang Sales Company. He has been serving as the general manager of the equity investment department of Kunlun Trust since September 2010 and the division chief of CNPC Assets Management since February 2011, in which he is primarily responsible for the day-to-day management of the equity investment affairs of the companies. Mr. Chen was accredited as a senior accountant by China National Petroleum Corporation. He graduated from Xinjiang University (中國新疆大學) in the PRC with a bachelor's degree in computer application and obtained his master's degree in business administration from Xinjiang University of Finance and Economics (中國新疆財經大學) in the PRC.



Wu Chen (吳晨) Supervisor

Mr. Wu Chen (吳晨), a shareholder representative Supervisor of the Company. He has over 21 years of experience in the financial industry. Mr. Wu served in the PBOC Jinan Branch, including as its deputy chief clerk. He also served as the section chief, the deputy division chief and the supervisory research analyst in the Shandong Office of CBRC, consecutively. He served as the general manager of Shandong Gold Group Finance Co., Ltd. (planned) (山東黃金集團財務有限公司(籌)) in December 2012, and has been serving as the general manager and the director of Shandong Gold Group Finance Co., Ltd. since July 2013. Mr. Wu was accredited as a senior economist by the Human Resources and Social Security Department of Shandong Province (山東省人力資源和社會保障廳), and was awarded the title of "2018 Shandong Provincial Financial High-end Talent". He is a project investment evaluation expert of the Council of Social Security Fund of Shandong Province (山東省社會保障基金理事會). Mr. Wu graduated from Shandong University in the PRC with a bachelor's degree in international economics. He also obtained his master's degree in political science and economics from Shandong University in the PRC.



Wang Zhimei (王志梅) Supervisor

Ms. Wang Zhimei (王志梅), a shareholder representative Supervisor of the Company. She has served as the manager of risk management department of Weifang Guowei Huijin Investment Co., Ltd. since June 2019. She has over 15 years of experience in financial and investment industry. From September 2005 to January 2009, she served as a staff of Weifang Wanfeng International Trading Co., Ltd.. From January 2009 to October 2016, she served as a staff of business department and risk control department of Weifang Credit Financing Guarantee Co., Ltd. From October 2016 to June 2019, she served as a staff and the head of risk management department of Weifang Guowei Huijin Investment Co., Ltd.. Ms. Wang graduated from Shandong University of Technology with a bachelor's degree in international trade. She also obtained a master's degree in international economics and trade from Xiamen University.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT



Li Yan (李燕) Supervisor

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



Zuo Hui (左輝) Supervisor

Mr. Zuo Hui (左輝), an employee representative Supervisor of the Company. He is currently the deputy director of compliance and the general manager of the legal and compliance department of the Company. He has over 24 years of experience in the legal and compliance area of the financial industry. Since he joined the Company in December 1996, Mr. Zuo worked for the legal department, the fund management department and the risk control department of the Company. From March 2015 to May 2018, he served as the deputy manager of the compliance and legal department of the Company, and has been the general manager of the legal and compliance department since May 2018. Before joining the Company, he was an in-house counsel in the Shandong Film and Television Legal Department (山東省影視律師事務所). Mr. Zuo graduated from Beijing Union University (北京聯合大學) in the PRC with a bachelor's degree in law. He obtained his master's degree in law from China University of Political Science and Law (中國政法大學).

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT



Zhang Wenbin (張文彬) Supervisor

Mr. Zhang Wenbin (張文彬), an employee representative Supervisor of the Company. Mr. Zhang is currently the general manager of the human resources department (department of party-masses relationship) of the Company. He has over 13 years of experience in human resources management. He joined the Company in September 2019. From July 2009 to April 2013, he worked at ZTE Corporation (中興通訊股份有限公司) (Hong Kong Stock Exchange listed company (stock code: 00763) and Shenzhen Stock Exchange listed company (stock code: 000063)), and worked at human resources centre. From April 2013 to May 2016, he worked at the office of general manager of Qingdao Hisense International Marketing Co., Ltd. (青島海信國際營銷股份有限公司). From May 2016 to September 2019, he served as a senior manager of party committee organisation department (human resources department) at Shandong Lucion Investment Holdings Group Co. Ltd. (山東省魯信投資控股集團有限公司). Mr. Zhang obtained a bachelor's degree in business administration from Shandong University, and a master's degree in corporate management from Peking University.



Wang Yan (王艷) Supervisor

Ms. Wang Yan (王艷), an external Supervisor of the Company. Ms. Wang has over 23 years of experience in the field of accounting. From July 1998 to January 2010, Ms. Wang successively served as the department head and deputy director of Qingdao Qindao C.P.A. Co., Ltd. (青島琴島有限責任會計師事務所). From February 2010 to December 2013, she served as deputy director of Qingdao Branch of RSM China Certified Public Accountants (Special General Partnership). From January 2014 to October 2020, she served as deputy director of Qingdao Branch of Ruihua Certified Public Accountants LLP. Since November 2020, she has been the deputy director of the Qingdao Branch of Mazars Certified Public Accountants LLP. Ms. Wang obtained a qualification of certified public accountant in 1999, a qualification of senior accountant in 2014 and a master's degree in accounting from Ocean University of China in 2018.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Senior management

Name	Age	Gender	Date of joining/ rejoining our Company	Position	Effective date of appointment	Roles and responsibilities
Fang Hao (方灝)	47	Male	March 2021	General Manager	31 March 2021	Day-to-day overall management and operations of the Company
Zhou Jianqu (周建堯)	49	Female	January 1999	Vice General Manager	26 October 2011	Assisting the General Manager with the day-to-day management of the business operations of the Company
He Chuangye (賀創業)	46	Male	October 2015	Vice General Manager, Secretary to the Board and Company Secretary	7 April 2016	Securities affairs and assisting the General Manager with the day-to-day management of the business operations of the Company
Wang Ping (王平)	54	Male	September 2019	Chief Financial Officer	16 September 2019	Finance and accounting and related matters of proprietary business of the Company
Tian Zhiguo (田志國)	49	Male	May 2005	Chief Risk Officer	29 November 2021	Compliance, risk management and audit of the operations and investment of the Company
Niu Xucheng (牛序成)	46	Male	July 2003	Vice General Manager	13 April 2018	Assisting the general manager to manage the daily business operations of the Company
Sun Botao (孫波濤)	43	Male	July 2001	Assistant to General Manager	29 November 2021	Assisting the general manager to manage the daily business operations of the Company
Cui Fang(崔方)	37	Male	May 2021	Assistant to General Manager	26 January 2022	Assisting the general manager to manage the daily business operations of the Company

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Biography of Senior Management



Fang Hao (方灝) General Manager

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



Zhou Jianqu (周建堯) Vice General Manager

Ms. Zhou Jianqu (周建堯), the Vice General Manager of the Company. Ms. Zhou has over 23 years of experience in the financial and trust industries. She joined our Company in January 1999. She served in the securities department and then in the trust investment banking department of our Company, consecutively. She then served as the project manager, the operation manager, the deputy manager and the manager in the fund trust department of our Company. She served as the manager in the fifth division of trust in our Company. Prior to joining our Company, she served in Jinan Kuaixin Industrial Group Company Limited (濟南快信實業集團公司). She also served in Shandong Enterprise Property Right Exchange (山東企業產權交易所). Ms. Zhou was accredited as a senior economist by the Ministry of Human Resources of the PRC. She was granted qualifications to trade in securities by Securities Association of China, to trade in funds by Asset Management Association of China and to trade in futures by China Futures Association. Ms. Zhou is currently a member of the Finance and Economics Committee of the 19th People's Congress of Lixia District, Jinan (濟南市歷下區第十九屆人民代表大會財政經濟委員會). Ms. Zhou studied in the department of mechanical engineering and obtained her bachelor's degree in engineering from Beijing Light Industry Academy (北京輕工業學院) in the PRC. She obtained her master's degree in business administration from Shandong Economics Academy in the PRC.



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

Mr. He Chuangye (賀創業), Vice General Manager of our Company, the secretary to the Board and company secretary. He was appointed as the vice general manager and the secretary to the Board on 7 April 2016 and 27 July 2016, respectively. Mr. He has over 22 years of experience in the financial industry. Prior to joining our Company, Mr. He served several positions in the financial supervisory institutions in China, including a clerk in the PBOC Jinan Branch. He then successively served in the Shandong Office of CBRC as the clerk, the deputy chief clerk, the chief clerk, the section chief, the deputy director of the general office and the deputy division chief in its Non-banking Financial Institution Regulatory Division (非銀行金融機構監管處). He also served a temporary post as the deputy chief secretary of Yantai City Government. Mr. He was granted the certificate of intermediate economist by the Ministry of Personnel of the PRC. Mr. He obtained a bachelor's degree in economics from Zhengzhou University in the PRC and a master's degree in finance from the University of Hong Kong.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT



Wang Ping (王平) Chief Financial Officer

Mr. Wang Ping (王平), a member of the Party Committee, the Chief Financial Officer of the Company. Mr. Wang has over 32 years of experience in accounting. He has served as our Chief Financial Officer since September 2019. From July 1992 to April 2001, he served in several subsidiaries of Jinan Oil Refinery, primary responsible for accounting matter. From April 2001 to January 2003, he served as senior business manager of audit department of Lucion Group. From January 2003 to November 2013, he consecutively served as manager of financial department of Lucion Industrial, Shandong Luxin Investment Group Co., Ltd. (山東魯信投資集團股份有限公司), Shandong Lucion Real Estate Investment Development Co., Ltd. (山東魯信房地產投資開發有限公司). From November 2013 to November 2016, he served as chief financial officer of Lucion Venture Capital (Shanghai Stock Exchange listed company, stock code: 600783). From November 2016 to September 2019, he served as chief financial officer of Luxin Capital Management Co., Ltd. (魯信資本管理有限公司). He has been a director of Fullgoal Fund Management Co., Ltd. since October 2020. Mr. Wang was accredited as a senior accountant by the Senior Review Committee of Accounting Professional Qualifications of Shandong Province (山東省會計專業資格高級評審委員會), and qualified as a PRC certified public accountant, certified tax accountant, certified asset appraiser, internal auditor, and securities professional. Mr. Wang graduated from Tianjin University of Finance and Economics with a Master's Degree in business administration.



Niu Xucheng (牛序成) Vice General Manager

Mr. Niu Xucheng (牛序成), deputy general manager of the Company. He has served as the deputy general manager of the Company since April 2018. Mr. Niu has over 19 years of experience in the trust industry. He joined the Company in July 2003, and successively worked for the fund investment department, the loan management department of China Development Bank, fund trust department and the first trust business department. From April 2012 to May 2018, he successively served as the deputy general manager of the trust business and the general manager of the trust business. Before joining the Company, he served as a member of the Qingdao Jiaozhou Municipal Committee of the Communist Youth League of China. Mr. Niu was appraised as an intermediate economist by the Ministry of Personnel of the People's Republic of China. He received the qualification of securities professional and fund trading professional issued by the Securities Association of China and the Asset Management Association of China, and received the qualification of futures trading professional issued by the China Futures Association. He obtained a master's degree in finance from the Shandong Finance College (currently known as Shandong University of Finance and Economics) in 2003.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT



Tian Zhiguo (田志國) Chief Risk Officer

Mr. Tian Zhiguo (田志國), the Chief Risk Management Officer of the Company. He has over 16 years of experience in the financial and trust industries. He has served as the Chief Risk Officer of the Company since November 2021. Mr. Tian joined our Company in July 2005 and served successively as the project manager and vice general manager of the fifth division of trust and the general manager of the fifth division of trust from October 2014 to December 2021. He served as an employee representative Supervisor of the Company from December 2011 to January 2022. Prior to joining the Company, Mr. Tian worked in the Electronic Economic Trading Center of Shandong Province (山東省電子經濟貿易中心). He graduated from Shandong University in the PRC with a master's degree in law.



Sun Botao (孫波濤) Assistant to General Manager

Mr. Sun Botao, assistant to general manager of the Company. Mr. Sun has over 19 years of experience in the trust industry. He joined the Company in July 2001 and worked in various departments such as fund investment department, fund loan department and infrastructure fund management department. From March 2012 to December 2021, he successively served as the deputy general manager and the general manager of the trust business division II of the Company. Mr. Sun graduated from Nankai University in the PRC with a master's degree.



Cui Fang (崔方) Assistant to General Manager

Mr. Cui Fang, assistant to the general manager of the Company. Mr. Cui has over 8 years of experience in the financial and trust industries. He joined the Company in May 2021. From July 2011 to May 2015, he successively worked in China National Investment and Guaranty Co., Ltd. (中國投融資擔保有限公司), Ping An Bank Co., Ltd. (平安銀行股份有限公司) and China Ping An Trust Co., Ltd. (平安信託有限責任公司). From May 2015 to March 2017, he served as the corporate business sales director of Xiamen Branch of Ping An Bank Co., Ltd.. From March 2017 to April 2018, he served as the vice president of the financial market headquarters of China Minsheng Trust Co., Ltd. (中國民生信託有限公司). From May 2018 to December 2020, he served as the general manager of the wealth centre of Chang'an International Trust Co., Ltd., and later served as the managing director of the Company. Mr. Cui graduated from Shandong University in the PRC with a master's degree in business management.

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

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

CHANGES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

CHANGES OF DIRECTORS

Mr. Yue Zengguang resigned as an executive Director due to work adjustment. The Board of Directors approved the resignation of Mr. Yue on 3 February 2021, and his resignation shall take effect upon the approval of the qualification of the new executive Director by the Shandong Office of CBIRC. Prior to this, Mr. Yue continued to perform his duties as an executive Director. Upon the recommendation of the Board of Directors, Mr. Fang Hao was elected as executive Director in the first extraordinary general meeting of the Company for the year 2021 held on 30 March 2021. The qualification of Mr. Fang Hao as executive Director was approved by the Shandong Office of CBIRC on 19 May 2021.

Mr. Wan Zhong, Mr. Fang Hao, Mr. Wang Zengye, Mr. Zhao Zikun, Ms. Wang Bailing, Mr. Ding Huiping, Ms. Li Jie and Ms. Meng Rujing were re-elected or appointed as Directors of the third session of the Board of Directors at the 2020 Annual General Meeting (the "2020 AGM") held on 29 June 2021. Mr. Xiao Hua and Mr. Jin Tongshui were not re-elected as non-executive Directors of the third session of the Board of Directors due to the expiration of their term of office. Mr. Yen Huai-chiang were not re-elected as an independent non-executive Director of the third session of the Board of Directors due to the expiration of his term of office. Qualifications of Mr. Wang Zengye, Mr. Zhao Zikun and Ms. Li Jie are subject to the approval of the Shandong Office of CBIRC. Before the newly elected Directors officially take office upon fulfilling relevant procedures in accordance with laws, Mr. Xiao Hua, Mr. Jin Tongshui and Mr. Yen Huai-chiang continue to perform their duties as Directors until the relevant Directors of the third session of the Board of Directors obtain approval of their qualifications by the Shandong Office of CBIRC, so as to ensure the structure of the Board of Directors is in compliance with relevant laws and regulations as well as the requirements of the Articles of Association. The qualifications of Mr. Zhao Zikun and Mr. Wang Zengye as non-executive Directors were approved by the Shandong Office of CBIRC on 15 October 2021 and 15 November 2021, respectively. Mr. Jin Tongshui and Mr. Xiao Hua have ceased to serve as non-executive Directors since 15 October 2021 and 15 November 2021, respectively.

As advised by the Board, Mr. Zheng Wei has been elected as an independent non-executive Director at the 2022 first EGM of the Company held on 30 March 2022. The qualification of Mr. Zheng as an independent non-executive Director is subject to the approval of Shandong Office of CBIRC.

CHANGES OF SUPERVISORS

Ms. Wang Yan was appointed as an external Supervisor of the third session of the Board of Supervisors at the 2020 AGM. Ms. Wang's appointment as an external Supervisor shall be effective subject to the approval of the provisions of appointing external Supervisors in the Proposed Amendments to the Articles of Association by the Shandong Office of CBIRC, and at that time, Ms. Wang shall comply with the qualification requirements as an external Supervisor in the Articles of Association and relevant laws and regulations. The appointment of as Ms. Wang an external Supervisor took effect on 14 October 2021.

Mr. Tian Zhiguo tendered his resignation as an employee representative Supervisor on 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 held on 7 January 2022. The term of office of Ms. Li shall be the same as the term of office of the third session of the Board of Supervisors, commencing from 7 January 2022.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

CHANGES OF SENIOR MANAGEMENT

Upon the consideration and approval by the Board of Directors on 3 February 2021, Mr. Yue Zengguang ceased to serve as the general manager of the Company due to work adjustments. The Board of Directors engaged Mr. Fang Hao as the general manager of the Company on the same day. Prior to the approval of the qualification of Mr. Fang Hao by the Shandong Office of CBIRC, Mr. Yue continued to perform his duties as the general manager. The qualification of Mr. Fang Hao was approved by the Shandong Office of CBIRC on 31 March 2021.

Upon the consideration and approval by the Board of Directors on 11 August 2021, Mr. Fu Jiguang ceased to serve as the chief risk officer of the Company due to work adjustments. The Board of Directors engaged Mr. Tian Zhiguo as the chief risk officer of the Company on the same day. Prior to the approval of the qualification of Mr. Tian Zhiguo by the Shandong Office of CBIRC, Mr. Fang Hao, the general manager of the Company, is temporarily in charge of the relevant work of the chief risk officer. The qualification of Mr. Tian Zhiguo was approved by the Shandong Office of CBIRC on 29 November 2021.

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 the deputy general manager of the Company. The qualification of Mr. Tian Zhiguo is subject to the approval of the Shandong Office of CBIRC.

The Company held a meeting of the Board of Directors on 9 October 2021, considered and approved the Resolution on Appointment of the Secretary to the Board of the Company, and agreed to appoint Mr. Lin Guanwei as the Secretary to the Board of the Company. The qualification of Mr. Lin Guanwei is subject to the approval of the Shandong Office of CBIRC. Prior to this, Mr. He Chuangye, Secretary to the Board of the Company, continued to perform the duties of the Secretary to the Board.

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 each of Mr. Sun Botao and Mr. Cui Fang as an Assistant to General Manager of the Company. The qualifications of Mr. Sun Botao and Mr. Cui Fang were approved by the Shandong Office of CBIRC on 29 November 2021 and 26 January 2022, respectively.

The Board of Directors fully recognised the significant contributions made by Mr. Yue Zengguang, Mr. Xiao Hua, Mr. Jin Tongshui and Mr. Fu Jiguang during their tenure of office in the Company, and wishes to express its gratitude to them.

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

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

ANNUAL REMUNERATION

Please refer to Note 15 “Emoluments of Directors, Supervisors, Senior Management and the Five Highest Paid Individuals” to the Consolidated Financial Statements in this annual report for details of the remuneration of Directors, Supervisors and senior management of the Company.

For the year ended 31 December 2021, we did not pay any remuneration to our non-executive Directors who were nominated by our Shareholders to take up the Directors' position in the Company because these non-executive Directors had been remunerated by our Shareholders directly for their service as our Director, being part of their job responsibilities of their working with our Shareholders.

Save as disclosed in this annual report, no other amounts have been paid or are payable by the Company to our Directors and Supervisors for the year ended 31 December 2021.

No remuneration was paid by the Company to the Directors, Supervisors or the five highest paid individuals as an inducement to join the Company or as remuneration or a compensation for loss of office upon joining the Company in respect of the year ended 31 December 2021. Furthermore, none of our Directors nor Supervisors waived or agreed to waive any remuneration during the same period.

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

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE

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

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

CORPORATE GOVERNANCE CODE

The Company is committed to maintaining a 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.

CORPORATE GOVERNANCE STRUCTURE

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

RESPONSIBILITIES OF THE BOARD

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

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

CORPORATE GOVERNANCE REPORT

COMPOSITION OF THE BOARD

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

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

Name	Position
Wan Zhong	Chairperson and Executive Director
Fang Hao	Executive Director and General Manager
Wang Zengye	Vice chairperson and Non-executive Director
Zhao Zikun	Non-executive Director
Wang Bailing	Non-executive Director
Yen Huai-chiang	Independent non-executive Director
Ding Huiping	Independent non-executive Director
Meng Rujing	Independent non-executive Director

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

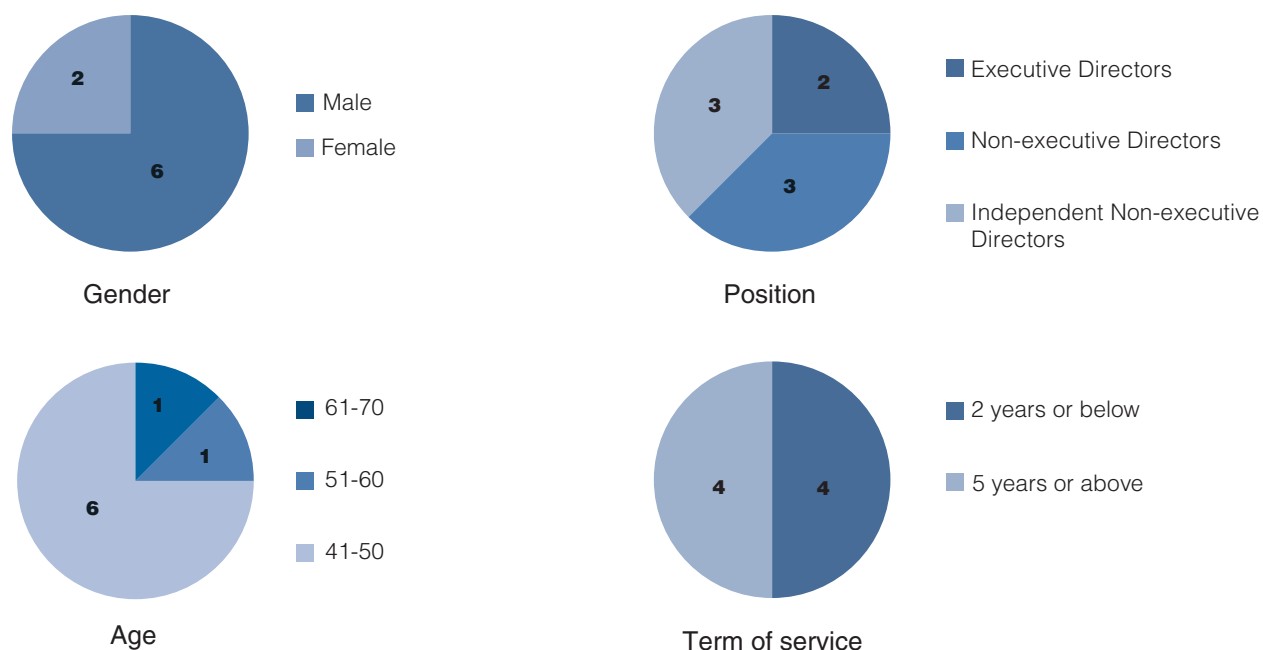
The Company has received an annual confirmation from each of the independent non-executive Directors relating to their independence. Each of the independent non-executive Directors has confirmed his/her independence during the year ended 31 December 2021 pursuant to Rule 3.13 of the Listing Rules and the Company considers each of them to be independent.

DIVERSITY OF THE BOARD

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

CORPORATE GOVERNANCE REPORT

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



FUNCTIONS AND POWERS OF THE BOARD OF DIRECTORS

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

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

CORPORATE GOVERNANCE REPORT

- (10) to formulate proposals for the issuance of corporate bonds, any types of shares, warrants or other marketable securities and listing;
- (11) to decide on the establishment of internal management departments of the Company and the establishment or revocation of the branches and other sub-branches of the Company;
- (12) to elect the chairperson and vice chairperson of the Board of the Company;
- (13) to appoint or dismiss the general manager of the Company and secretary to the Board pursuant to the nominations by the chairperson of the Board of the Company; to appoint or dismiss vice general manager, chief financial officer and other senior management members of the Company pursuant to the nominations by the general manager and to decide on their remunerations, incentives and punishments;
- (14) to formulate the basic management system of the Company and terms of reference of all special committees under the Board;
- (15) to prepare proposals for amendments to the Articles of Association, Procedural Rules for the Shareholders' General Meeting and Procedural Rules for the Board;
- (16) to formulate the share incentive schemes of the Company;
- (17) to manage the matters in relation to the information disclosure of the Company;
- (18) to decide on the establishment of special committees and to elect their members;
- (19) to decide on the risk management system of the Company which covers risk assessments, financial control, internal audit and legal risk control and monitor its implementation;
- (20) to propose the appointment or replacement of the accounting firm that provides the Company with auditing services for annual financial statements to the general meeting, and decide on its audit fees;
- (21) to listen to the regular or irregular work reports from the general manager of the Company or the senior management members of the Company appointed by the general manager, and to approve the work reports of the general manager;
- (22) to consider and approve the major financial accounting policies and changes to accounting estimates;
- (23) to decide on the staffing arrangement, proposals on remuneration and performance appraisal of the senior management members;
- (24) to consider the material equity investments, bond investments, acquisition of assets, disposal of assets, write off of assets and external guarantee and other transaction matters in the proprietary business except for those which shall be approved by the general meetings in accordance with the Articles of Association;
- (25) to consider the material related party transactions which shall be approved by the Board pursuant to laws, regulations and listing rules of the place where the securities of the Company are listed; and
- (26) to exercise other functions and powers conferred by laws, regulations, listing rules of the stock exchange of the place where the shares of the Company are listed, the general meetings and the Articles of Association.

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

CORPORATE GOVERNANCE REPORT

INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

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

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

A summary of training received by Directors during the Reporting Period according to the records provided by the Directors is as follows:

Name of Director	Nature of Programme of Continuous Professional Development
Executive Directors	
Wan Zhong	CD
Fang Hao	CD
Non-executive Directors	
Wang Zengye	CD
Zhao Zikun	CD
Wang Bailing	CD
Independent Non-executive Directors	
Yen Huai-chiang	ABCD
Ding Huiping	CD
Meng Rujing	ABCD
Resigned Directors	
Yue Zengguang	CD
Xiao Hua	CD
Jin Tongshui	CD

CORPORATE GOVERNANCE REPORT

Notes:

- A: attending seminars and/or meetings and/or forums and/or briefings
- B: giving speeches at seminars and/or meetings and/or forums
- C: attending trainings provided by lawyers or trainings related to the Company's business
- D: reading materials on different topics, including corporate governance, responsibilities of directors, Listing Rules and other relevant laws

Chairperson and General Manager

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

During the Reporting period, the chairperson of the Company is currently served by Mr. Wan Zhong. Upon the departure of Mr. Yue Zengguang, the position of general manager of the Company is assumed by Mr. Fang Hao. The Company clearly delineates these two different positions of chairperson and general manager with functions. The chairperson of the Board is responsible for providing strategic recommendations and guidance on the Company's development and the general manager is responsible for daily operations of the Company.

Appointment and Re-election of Directors

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

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

- (1) a candidate for the position of Director shall be nominated by way of putting forward a proposal by the Board or the Shareholders individually or jointly holding 5% or more of the total number of shares carrying voting rights issued by the Company, and the basic information, biographies and other written materials shall be attached thereto;
- (2) for candidates nominated by the Board, the Nomination and Remuneration Committee of the Board shall conduct preliminary review on the qualifications for such positions and conditions of the candidates for the position of Director, and propose competent candidates to the Board for consideration; upon consideration and approval by the Board, the candidates for the position of Director shall be proposed to the general meeting by way of written proposal;
- (3) the candidates for the position of Director shall make written commitments before the convening of general meeting that they agree to accept the nomination, undertake that the information publicly disclosed is true and complete, and warrant to fulfill the duties of Directors with due diligence once elected; The written notice of intention to nominate a person for the position of Director and the written notice by such person of his/her willingness to accept the nomination and relevant written materials with information of the nominee, shall be sent to the Company at least ten days prior to the convening of the general meeting;

CORPORATE GOVERNANCE REPORT

- (4) the Company shall, before convening the general meeting, disclose detailed information of the candidates for the position of Director to Shareholders according to laws, regulations and the Articles of Association in order to ensure that Shareholders could have sufficient knowledge of the candidates when casting their votes;
- (5) the Company shall give at least seven days for relevant nominators and candidates for the post of Director for submission of the notice and materials set forth as above (such period shall be calculated from the day following the issue date of the notice of general meeting); and
- (6) the general meeting shall vote on the proposals on each candidate one by one.

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

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

Each of the executive Directors, non-executive Directors, independent non-executive Directors and Supervisors of the Board has entered into a service contract with the Company for a term of three years. None of our Directors and Supervisors have entered into, or have proposed to enter into, a service contract with the Company (other than contracts determinable by the Company within one year without the payment of compensation (other than statutory compensation)).

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

Board Meetings

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

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

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

CORPORATE GOVERNANCE REPORT

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

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

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

During the Reporting Period, the Board held 13 Board meetings and 2 general meetings. Attendance of the Directors attending Board meetings and general meetings is set out in the following table:

Director	Number of Board meetings attended ⁽¹⁾ / number of attendance in Board meetings required	Number of general meetings attended ⁽¹⁾ / number of attendance in general meetings required
Executive Directors		
Wan Zhong	13/13	2/2
Fang Hao	10/10	1/1
Non-executive Directors		
Wang Zengye	1/1	0/0
Zhao Zikun	2/2	0/0
Wang Bailing	13/13	2/2
Independent non-executive Directors		
Yen Huai-chiang	13/13	2/2
Ding Huiping	13/13	2/2
Meng Rujing	13/13	2/2
Resigned Directors⁽²⁾		
Yue Zengguang	3/3	1/1
Xiao Hua ⁽³⁾	0/12	0/2
Jin Tongshui	11/11	2/2

CORPORATE GOVERNANCE REPORT

Notes:

- (1) Attendance in meetings includes on-site attendance and attendance by way of telephone and video conference.
- (2) For changes of Directors, please refer to “Changes of Directors” in the section headed “Directors, Supervisors and Senior Management”.
- (3) During the Reporting Period, Xiao Hua appointed other Director as his proxy to attend and exercise his right to vote at the meetings of the Board of Directors on his behalf, due to work arrangements.

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 to conduct 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 than the standard 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.

Delegation by the Board

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

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

Corporate Governance Function

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

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

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES

Audit Committee

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

The Audit Committee performs the following duties::

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

CORPORATE GOVERNANCE REPORT

- (5) regarding paragraph (4) above:
- (i) members of the Audit Committee shall liaise with the Board and the senior management members of the Company. The Audit Committee shall meet at least twice a year with the Company's external auditors; and
 - (ii) the Audit Committee shall consider any significant or unusual items that are, or may need to be, reflected in such reports and accounts, and shall give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or auditors.
- (6) to review the Company's financial control, and unless expressly addressed by a separate risk control and audit committee under the Board, or by the Board itself, to review the Company's risk management and internal control systems;
- (7) to discuss the risk management and internal control systems with management to ensure that management has performed its duty to establish and maintain effective systems. Such discussion shall consider the adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting and financial reporting function;
- (8) to examine major investigation findings on risk management and internal control matters and the management's response to these findings on its own initiative or as authorised by the Board;
- (9) to ensure coordination between the internal and external auditing bodies and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company; and to examine and monitor the effectiveness of the internal audit function;
- (10) to review the Group's financial and accounting policies and practices;
- (11) to review the external auditors' letters to the management on audit results, any material queries raised by the auditors to the management about accounting records, financial accounts or control system and the management's response;
- (12) to ensure that the Board will provide a timely response to the issues raised in the external auditors' letter to the management on audit results;
- (13) to report to the Board on the matters included under the paragraph headed "Audit Committee" in Appendix 14 to the Listing Rules;

CORPORATE GOVERNANCE REPORT

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

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

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

Name of Director	Number of meetings attended/ number of attendance required
Mr. Ding Huiping (<i>Chairperson</i>)	4/4
Ms. Meng Rujing	4/4
Mr. Zhao Zikun	0/0
Mr. Jin Tongshui (<i>former member</i>)	4/4

Notes:

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

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

Nomination and Remuneration Committee

During the Reporting Period, the "Human Resources and Nomination Committee" and "Remuneration Committee" have been consolidated into "Nomination and Remuneration Committee". The Nomination and Remuneration Committee consisted of three members, including an executive Director, namely Mr. Wan Zhong, and two independent non-executive Directors, namely Mr. Yen Huai-chiang and Ms. Meng Rujing (Chairperson). The Nomination and Remuneration Committee being a special committee under the Board shall exercise its powers as stipulated by the Articles of Association and within the scope of delegation from the Board. The Nomination and Remuneration Committee is accountable and reports to the Board.

CORPORATE GOVERNANCE REPORT

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

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

CORPORATE GOVERNANCE REPORT

- (11) to review and approve compensation arrangements in relation to dismissal or removal of directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate;
- (12) to ensure that no director or any of his associates (as defined under the Listing Rules) is involved in determining his own remuneration;
- (13) to consult with the chairperson of the Board and/or general manager about the remuneration proposals for other executive directors; and
- (14) any other matters as authorised by the Board.

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

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

During the Reporting Period, prior to the consolidation of “Human Resources and Nomination Committee” and “Remuneration Committee”, attendance of members attending committee meetings is set out in the following table:

Director	Number of meetings attended/number of attendance required
Human Resources and Nomination Committee	
Mr. Wan Zhong (<i>Chairperson</i>)	7/7
Mr. Ding Huiping	7/7
Ms. Meng Rujing	7/7
Remuneration Committee	
Ms. Meng Rujing (<i>Chairperson</i>)	8/8
Mr. Jin Tongshui	8/8
Mr. Yen Huai-chiang	8/8

CORPORATE GOVERNANCE REPORT

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

Director	Number of meetings attended/ number of attendance required
Ms. Meng Rujing (<i>Chairperson</i>)	2/2
Mr. Yen Huai-chiang	2/2
Mr. Wan Zhong	2/2

Notes:

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

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

Business Decision Committee

The Business Decision Committee consisted of three members, including two executive Directors, namely Mr. Wan Zhong (Chairperson) and Mr. Fang Hao and a non-executive Director, namely Mr. Zhao Zikun. The Business Decision Committee being a special committee under the Board shall exercise its powers as stipulated by the Articles of Association and within the scope of delegation from the Board. The Business Decision Committee is accountable and reports to the Board.

The major duties of the Business Decision Committee are as follows:

- (1) to examine and approve collective fund trust business submitted by the General Manager's Office Meeting;
- (2) to examine and approve significant individual fund trust business that the General Manager's Office Meeting considers necessary;
- (3) to examine and approve specific loan projects of proprietary funds of the Company;
- (4) to examine and approve disposal plans of projects at risk invested by collective trusts of the Company or individual trusts that the General Manager's Office Meeting considers necessary;
- (5) to submit annual work report to the Board; and
- (6) other duties authorised by the Board.

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

CORPORATE GOVERNANCE REPORT

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

Name of Director	Number of meetings attended/ number of attendance required
Mr. Wan Zhong (<i>Chairperson</i>)	63/63
Mr. Fang Hao	42/42
Mr. Zhao Zikun	15/15
Mr. Jin Tongshui (<i>former member</i>)	48/48
Mr. Yue Zengguang (<i>former member</i>)	20/20

Notes:

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

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

Strategies and Risk Management Committee

The Strategies and Risk Management Committee consisted of three members, including two executive Directors, namely Mr. Wan Zhong (Chairperson) and Mr. Fang Hao, and a non-executive Director, namely Mr. Wang Zengye. The Strategies and Risk Management Committee being a special committee under the Board shall exercise its powers as stipulated by the Articles of Association and within the scope of delegation from the Board. The Strategies and Risk Management Committee is accountable and reports to the Board.

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

- (1) to research and propose recommendations on medium and long-term development strategies of the Company according to the macro-economic environment, trend of industry development and the operating position of the Company;
- (2) to inspect, supervise and evaluate the implementation of the development strategy of the Company;
- (3) to organise and formulate special plans for development of trust business and proprietary business of the Company;
- (4) to understand and master the major risks faced by the Company and its risk management status;

CORPORATE GOVERNANCE REPORT

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

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

CORPORATE GOVERNANCE REPORT

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

Name of Director	Number of meetings attended/ number of attendance required
Mr. Wan Zhong (<i>Chairperson</i>)	2/2
Mr. Wang Zengye	0/0
Mr. Fang Hao	1/1
Mr. Yue Zengguang (<i>former member</i>)	1/1
Mr. Xiao Hua (<i>former member</i>)	2/2

Notes:

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

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

Trust Committee

The Trust Committee consisted of three members, including two non-executive Directors, namely Mr. Zhao Zikun and Ms. Wang Bailing, and the independent non-executive Director, namely Mr. Yen Huai-chiang (Chairperson). The Trust Committee being a special committee under the Board shall exercise its powers as stipulated by the Articles of Association and within the scope of delegation from the Board. The Trust Committee is accountable and reports to the Board.

The Trust Committee performs the following duties:

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

CORPORATE GOVERNANCE REPORT

- (5) to consider the conditions of protecting the interests of consumers of the Company; and
- (6) other duties stipulated by the Board.

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

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

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

Notes:

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

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

Related Party Transaction Control Committee

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

CORPORATE GOVERNANCE REPORT

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

- (1) to study the regulatory requirements and management system of related parties transactions, formulate and improve the Company's related parties transaction system, operating procedures and management methods in accordance with the requirements of laws, regulations and policies;
- (2) to identify the related parties, define the related party transactions, review the legitimacy, compliance and fairness of the related party transactions, and provide recommendations to the Board;
- (3) to carry out preliminary examination on all kinds of business involving related parties transactions approved by the Board or the general meeting of shareholders, express written opinions to the Board on its legality, compliance, fairness and whether it will damage the interests of the Company or the parties to the trust, submit them to the Board for approval, and report to the board of supervisors;
- (4) to examine and approve related parties transactions and other matters related to related parties transactions within the scope authorised by laws and regulations and the general meeting of shareholders and the Board, and accept the filings of related parties transactions;
- (5) to conduct a special report to the Board on the implementation of the Company's related parties transaction management system and related parties transactions; and
- (6) other duties authorised by laws, regulations, relevant regulations of the securities regulatory authority where the Company's shares are listed and the Board.

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

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

Name of Director	Number of meetings attended/number of attendance required
Mr. Ding Huiping (<i>Chairperson</i>)	1/1
Ms. Wang Bailing	1/1
Mr. Fang Hao	0/0
Mr. Yue Zengguang (<i>former member</i>)	1/1

Notes:

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

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

CORPORATE GOVERNANCE REPORT

Remuneration of the Directors, Supervisors, Senior Management and Highest Paid Individuals

For details about the remuneration of Directors, Supervisors and five highest paid individuals of the Company, please refer to Note 15 to the consolidated financial statements. The number of senior management members whose remuneration fall within the ranges below are listed as follows:

	Number of individuals	
	Year ended 31 December	
	2021	2020
RMB500,000 and below	1	
RMB500,001 – RMB1,000,000	1	1
RMB1,000,001 – RMB1,500,000	2	1
RMB1,500,001 – RMB2,000,000	2	2
RMB2,000,001 – RMB2,500,000		
RMB2,500,001 – RMB3,000,000		
RMB3,000,001 – RMB3,500,000	1	
RMB3,500,001 – RMB4,000,000		
RMB4,000,001 – RMB4,500,000		1
RMB4,500,001 – RMB5,000,000		
RMB5,000,001 – RMB5,500,000		
RMB5,500,001 – RMB6,000,000		1
RMB6,000,001 or above		
Total	7	6

Note:

For details of the remuneration of Mr. Fang Hao and Mr. Yue Zengguang, please refer to Note 15 to the consolidated financial statements.

CORPORATE GOVERNANCE REPORT

Directors' Responsibilities for Financial Reporting in respect of Financial Statements

The Directors acknowledge their duties for preparing the financial statements of the Company for the year ended 31 December 2021 which give a true and fair view of the Group as well as the affairs of the Company and of the Company's results and cash flows.

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

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

The statement by the auditor of the Company regarding their reporting responsibilities on the consolidated financial statements of the Company is set out in the Independent Auditors' Report on page 160 of this annual report.

Risk Management and Internal Control

Risk Management and Internal Control Systems

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

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

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

CORPORATE GOVERNANCE REPORT

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

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

Internal Auditing

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

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

Under the leadership of the Audit Committee, the Audit Department organised and coordinated the Company's annual internal audit during the Reporting Period based on the annual internal audit work plan for 2021. Additionally, the Company organised the risk management and internal control assessment team as well as relevant departments to closely cooperate with the external auditors in the work of internal control audit of financial statements. The internal control audit has performed auditing for all key processes and control points related to major accounting subjects. The external auditors regularly communicated with the management on audit results.

CORPORATE GOVERNANCE REPORT

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

- (1) The Company audited 2020 operating activities, business performance and internal management of the Company. The Company attached great importance to the implementation of internal control, development of regulation system and compliance system of the Company, as well as the enhancement of risk management and control and the ability to withstand risk. The Company actively provided advice and suggestions for the optimisation of corporate operation and management and enhancing corporate value, so as to perform obligation of internal auditors to supervise;
- (2) The Company objectively evaluated the development of 2020 internal control system of the Company, carrying out the evaluation of internal controls in terms of control environment, risk assessments, control activities, information and communication and internal supervision of the Company. The Company provided remedial measures for the possible internal control deficiencies, constantly improving and streamlining the internal control system of the Company;
- (3) The Company conducted targeted inspections on existing business on a regular basis and focused on the compliance of business implementation, completeness of duty performance and validity of internal supervision in terms of projects approval, due diligence review, project approval, project establishment and duration management, so as to improve standard business management;
- (4) The Company conducted dynamic monitoring on the quality of the system data used in the trust business, and supervised the processing of system data used in the trust business and the progress of the upgrade and perfection works through regular full-scope checking and random testing, with an aim to ensure the accuracy of the quality of system data for its businesses and provide great support for improving efficiency of operation and management;
- (5) The Company conducted targeted inspections on credit management work and focused on the completeness of internal control system and the compliance of practical operation in respect of organisational structure, user management, inquiry and application and information security, and actively eliminated potential risks;
- (6) The Company conducted targeted inspections on the protection of the rights and interests of consumers, and attached great importance to the completeness of the organisational structure, the compliance of system construction and execution, the effectiveness of whole-process business control as well as the effectiveness of publicity and education, and fully disclosed potential risks and properly protected the legitimate rights and interests of consumers; and
- (7) The Company conducted targeted inspections on anti-money laundering, carried out combing and screening of the completeness of the system and the compliance of operating procedures from the aspects of organisational structure, internal control, customer identification, information technology, training and publicity, so as to ensure that the duties of antimoney laundering are fulfilled.

CORPORATE GOVERNANCE REPORT

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

SENIOR MANAGEMENT

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

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

REMUNERATION OF THE AUDITORS

The remunerations paid/(payable) to the Company's independent external auditor, SHINEWING (HK) CPA Limited, for the year ended 31 December 2021 in relation to audit services and non-audit services (including the review of the Company's interim results announcement and interim report for the year 2021, respectively) were RMB1,500,000 (tax inclusive) and RMB470,000 (tax inclusive) respectively.

COMPANY SECRETARY

During the Reporting Period, Mr. He Chuangye ("**Mr. He**") was the joint company secretary of the Company. He is responsible for advising the Board on corporate governance matters and ensuring the Board policies and procedures, the applicable laws, rules and regulations are complied with. In order to uphold good corporate governance and ensure compliance with the Listing Rules and applicable Hong Kong laws, during the Reporting Period, the Company also engaged Mr. Lee Kwok Fai, Kenneth ("**Mr. Lee**") as the other joint company secretary to assist Mr. He to discharge his duties as the company secretary of the Company, with Mr. He acting as his primary contact person of the Company. During the Reporting Period, Mr. He and Mr. Lee have undertaken no less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

Since the listing of the Company, Mr. He has performed his duties as a joint company secretary with the assistance of a qualified joint company secretary (a person who complies with Rules 3.28 and 8.17 of the Listing Rules). The Board considers that Mr. He has acquired the relevant experience required to act as the company secretary of the Company as required by Rule 3.28 of the Listing Rules. The Hong Kong Stock Exchange has also agreed that Mr. He shall act as the company secretary of the Company in accordance with Rule 3.28 of the Listing Rules.

From 8 February 2022, Mr. Lee ceased to be the joint company secretary of the Company due to work arrangement, and Mr. He has served as the sole company secretary of the Company.

CORPORATE GOVERNANCE REPORT

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and understanding of the Company's business, performance and strategies. The Company also recognises the importance of timely and non-selective disclosure of the Company's information, which will enable Shareholders and investors to make informed investment decisions.

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

After the Company was listed on the Hong Kong Stock Exchange, the senior management of the Company attend the annual and/or interim results press conference every year in person to provide important information for the capital market and media, answer important questions that investors are most concerned recently, and facilitate understanding of the Company's business by different sectors through various activities such as analyst meetings, press conferences and investor roadshows.

To promote effective communication, the Company adopts a shareholders' communication policy that aims at establishing a two-way relationship and communication between the Company and the Shareholders and maintains a website (<http://www.sitic.com.cn>), where up to date information on the Company's business operations and developments, financial information, corporate governance practices, and other information are available for public access.

TRANSPARENCY OF INFORMATION DISCLOSURE SYSTEM

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

CORPORATE GOVERNANCE REPORT

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

SHAREHOLDERS' RIGHTS

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

Convening an Extraordinary General Meeting

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

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

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

CORPORATE GOVERNANCE REPORT

Put Forward Proposals at General Meetings

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

Shareholders individually or jointly holding not less than 5% of the shares of the Company may submit an interim proposal to the convener of the general meeting in writing 10 days prior to the date of the general meeting. The convener shall issue a supplementary notice of the general meeting to notify other Shareholders within two days upon receipt of the proposal, and shall include the matters falling within the scope of duties of the general meeting set out in the proposals in the agenda of the meeting and submit to the general meeting for consideration.

Enquiries to the Board

Shareholders who intend to put forward their enquiries about the Company to the Board may send their enquiries to the Company's headquarters through email at ir1697@luxin.cn.

CORPORATE GOVERNANCE REPORT

CONVENING OF GENERAL MEETING OF THE YEAR

Subjects of General Meeting and the Content of Resolutions

The Company held the 2021 first extraordinary general meeting on 30 March 2021, and considered and approved the resolution of the appointment of Mr. Fang Hao as executive Director.

The Company held the 2020 annual general meeting on 29 June 2021, and considered and approved resolutions including 2020 Work Report of the Board, 2020 Work Report of the Independent Directors, 2020 Work Report of the Board of Supervisors, 2020 Financial Report, 2020 remuneration Plan for the Directors, 2020 Remuneration Plan for the Supervisors, Appointments of External Auditors for 2020, the appointments of Directors of the third session of the Board of Directors, the appointments of shareholder representative Supervisors and external Supervisors of the third session of the Board of Supervisors, the Proposed Amendments to the Articles of Association, the Proposed Amendments to the Procedural Rules for the Board of Directors, the Proposed Amendments to the Procedural Rules for the Board of Supervisors and the Proposed Amendments to the Procedural Rules for the General Meeting;

Performance of Duties by the Board and Its Committees

Board of Directors

The Company convened the 25th Board meeting of the second session of the Board of the Company by way of physical meeting on 3 February 2021, at which the Resolution on the Appointment of the General Manager of SITC and the Resolution on Election of Employee Representative Director of SITC (Draft) were considered and approved;

The Company convened the 26th Board meeting of the second session of the Board of the Company by way of physical meeting on 8 March 2021, at which the Resolution on Change of the Name of chief financial officer of the Company and other resolutions were considered and approved;

The Company convened the 27th Board meeting of the second session of the Board of the Company by way of physical meeting on 30 to 31 March 2021, at which the Resolution on 2020 Work Report of the Board (Draft), the Resolution of 2020 Financial Report (Draft) was considered and approved;

The Company convened the 28th Board meeting of the second session of the Board of the Company by way of physical meeting on 27 May 2021, at which the Resolution on the Election of Directors of the Third Session of the Board of Directors of SITC (Draft) and other resolutions were considered and approved;

The Company convened the 29th Board meeting of the second session of the Board of the Company by way of physical meeting on 8 June 2021, at which the Resolution on the Promotion the Reform of the Professional Manager of the Company was considered and approved;

The Company convened the 1st Board meeting of the third session of the Board of the Company by way of physical meeting on 29 June 2021, at which the Resolution on the Election of Chairman and Resolution on the 14th Five-Year Plan Report of SITC were considered and approved;

CORPORATE GOVERNANCE REPORT

The Company convened the 2nd Board meeting of the third session of the Board of the Company by way of physical meeting on 29 July 2021, at which the Resolution on the Distribution of Rewards to the Management Team of the Board of Directors of the Company was considered and approved;

The Company convened the 3rd Board meeting of the third session of the Board of the Company by way of physical meeting on 11 August 2021, at which the Resolution on the Appointment of the Chief Risk Officer of the Company was considered and approved;

The Company convened the 4th Board meeting of the third session of the Board of the Company by way of physical meeting on 26 August 2021, at which the Resolution on 2020 Interim Report and the Announcement of Interim results of SITC and other resolutions were considered and approved;

The Company convened the 5th Board meeting of the third session of the Board of the Company by way of physical meeting on 9 September 2021, at which the Resolution on the Appointment Sun Botao as the Assistant to General Manager of SITC and other resolutions were considered and approved;

The Company convened the 6th Board meeting of the third session of the Board of the Company by way of physical meeting on 9 October 2021, at which the Resolution on the Formulation and Revising Certain Financial System and other resolutions were considered and approved;

The Company convened the 7th Board meeting of the third session of the Board of the Company by way of correspondence on 10 November 2021, at which the Resolution on the Report on Performance Evaluation of New Senior Managers of SITC and other resolutions were considered and approved; and

The Company convened the 8th Board meeting of the third session of the Board of the Company by way of correspondence on 29 December 2021, at which the Resolution on the Formulating Provisions on Public Opinion Management of the Company and other resolutions were considered and approved.

Committees under the Board

In 2021, the Audit Committee convened 4 meetings, considered and reported to the Board on the Resolution on the 2020 Annual Report and the Announcement of Annual Results (Draft), and Resolution on the 2020 Financial Report of the Company (Draft), and provided important comments and recommendations on the financial management, external auditing, internal auditing, internal control, and appointment of external auditors of the Company.

In 2021, the Business Decision Committee convened a total of 63 meetings, of which 322 projects were considered and approved and heard.

In 2021, the Trust Committee convened 1 meeting to consider and approve and report to the Board on the Resolution on the Report on the Performance of the Trust Committee for the Year 2020 (Draft), providing rational suggestions for the development of the trust business, protection of rights of consumers, popularisation of trust knowledge and investor education.

CORPORATE GOVERNANCE REPORT

In 2021, the Strategies and Risk Management Committee convened 2 meetings to consider, approve and report to the Board on the 14th Five-Year Plan Report of SITC. The Committee also provided recommendations on the long-term development strategies and risk management of the Company based on the regulatory policies and industry development trend.

In 2021, the Human Resources and Nomination Committee convened 7 meetings to review the structure of the Board and assess the independence of independent Directors, and consider and report to the Board on the Resolution on the Appointment of General Manager of SITC (Draft).

In 2021, the Remuneration Committee convened 8 meetings to consider and report to the Board on the Resolution on the Election of the Third Session of the Board of SITC (Draft), providing reasonable suggestions on the remuneration management and assessment of Directors and Senior Management, the remuneration system and incentive measures of the Company.

In 2021, the Nomination and Remuneration Committee convened 2 meetings to review the structure of the Board, assess the independence of independent Directors, and consider and approve and report to the Board on the Resolution on the Report on the Performance Evaluation of Newly-appointed Senior Management of SITC.

In 2021, the Related Party Transaction Control Committee convened 1 meeting to consider and approve and report to the Board on issues related to related party transactions including Report on 2020 Administrative Measures for Related Party Transactions of SITC (Draft), and provided reasonable proposals on the administrative measures for related party transactions.

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

All committee members attended the above respective meetings.

CORPORATE GOVERNANCE REPORT

Implementation of Matters Proposed and Authorised in the General Meeting

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

Performance of Duties of the Board Committees

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

Performance of Duties of the Independent Directors

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

Amendments to the Articles of Association

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

REPORT OF THE BOARD OF DIRECTORS

PRINCIPAL BUSINESSES AND BUSINESS REVIEW

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

In particular, please refer to "Business Overview", "Environment Overview", "Risk Management", "Future Prospects" and "Key Tasks for 2022" under the section headed "Management Discussion and Analysis" in this annual report for the business review, discussion and analysis of the performance for the year, principal risks and uncertainties and future business development of the Company. Please refer to "Financial Overview" under the section headed "Management Discussion and Analysis" for analysis of the key financial performance indicators of the Company. Please refer to "Risks Management" under the section headed "Management Discussion and Analysis" for the relevant laws and regulations compliance of which would have a significant impact on the Company. Please refer to "Human Resources Management" under the section headed "Management Discussion and Analysis" in this annual report and "Major Clients and Suppliers" in this section for the Company's relationships with its employees, clients and parties who have a significant impact on the Company.

RESULTS

The results of the Company for the year ended 31 December 2021 are set out in the independent auditor's report.

PRINCIPAL RISKS AND UNCERTAINTIES

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

PROFITS AND DIVIDENDS DISTRIBUTION

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

REPORT OF THE BOARD OF DIRECTORS

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

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

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

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

The details of the Company's profits for the year ended 31 December 2021 are set out in the section headed "Management Discussion and Analysis – Financial Overview" in this annual report.

In order to enhance the capital reserve of the Company, the Company didn't declare the final dividend for 2021.

RESERVES AND DISTRIBUTABLE RESERVES

The details of the changes in the reserves of the Company for the year ended 31 December 2021 are set forth in Note 32 and Note 33 to the audited consolidated financial statements, and in the consolidated statement of changes in equity on page 172, respectively.

REPORT OF THE BOARD OF DIRECTORS

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Company for the past five financial years is set out on page 19 of this annual report. Such summary does not form part of the audited consolidated financial statements.

DONATIONS

For the year ended 31 December 2021, no charity donations or other donations were made.

PROPERTY AND EQUIPMENT

None of the properties held by the Company had any percentage ratios (as defined under Rule 14.04(9) of the Listing Rules) of more than 5%. Details in relation to the changes in property and equipment of the Company for the year ended 31 December 2021 are set out in Note 20 "Property and Equipment" to the consolidated financial statements.

SHARE CAPITAL AND PUBLIC FLOAT

Details of the share capital and capital reserves of the Company for the year ended 31 December 2021 are set out in note 32 to the consolidated financial statements.

As at 31 December 2021, the issued shares of the Company was 4,658,850,000 shares (of which 3,494,115,000 were Domestic Shares and 1,164,735,000 were H Shares). Based on the information that is publicly available to the Company and to the best knowledge of the Directors, at least 25% (being the minimum public float prescribed by the Hong Kong Stock Exchange and the Listing Rules) of the Company's total issued share capital were held by the public during the listing date and up to the date of this annual report.

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

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

PRE-EMPTIVE RIGHTS

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

REPORT OF THE BOARD OF DIRECTORS

MAJOR CLIENTS AND SUPPLIERS

For the year ended 31 December 2021, the aggregate remuneration of the Company's top five trust schemes in terms of trustee's remunerations accounted for less than 30% of the Company's total fee and commission income during the relevant period.

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

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

MAJOR INVESTMENTS NOT FINANCED BY FUND-RAISING

For the year ended 31 December 2021, the Company did not have any major investment not financed by fund-raising.

BORROWINGS

The Company's borrowings as at 31 December 2021 amounted to approximately RMB1,604 million. Details of the borrowings are set out in note 37 to the consolidated financial statements.

DIRECTORS AND SUPERVISORS

The details of the biographical details of Directors and Supervisors are set out in the section headed "Directors, Supervisors and Senior Management" on pages 90 to 106 of this annual report.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

REPORT OF THE BOARD OF DIRECTORS

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

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

REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

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

TERMS AND SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

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

Each of the executive Directors, non-executive Directors, independent non-executive Directors and Supervisors has entered into a service contract with a term of three years with the Company. None of the Directors or Supervisors have entered into a service contract with the Company with a term specifying that if the Company terminates the contract within one year, the Company has to make compensation apart from statutory compensation. Details of the remuneration of the Directors, Supervisors and the five highest paid individuals of the Company are set out in note 15 to the consolidated financial statements.

REPORT OF THE BOARD OF DIRECTORS

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

Mr. Wang Zengye, a non-executive Director of the Company, is also the chairperson of Kunlun Trust, whose principal business is to manage assets as trustees for its clients in the PRC, competing with the businesses of the Company. Kunlun Trust is a non-wholly owned subsidiary of CNPC Assets Management, a substantial shareholder of the Company. Save as (i) the shareholding of CNPC Assets Management in the Company, (ii) Mr. Wang Zengye's directorship in the Company and Kunlun Trust and (iii) the positions held by Mr. Chen Yong, a Supervisor of the Company (who holds several positions in CNPC Assets Management and Kunlun Trust), the Company does not have any other relationship with CNPC Assets Management or Kunlun Trust. As such, the Directors are of the view that we are capable of carrying out our businesses independently from CNPC Assets Management and Kunlun Trust. In addition, the Company has adopted certain corporate governance measures to manage the conflict of interest arising from the competing interests of Mr. Xiao Hua.

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

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

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

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

PERMITTED INDEMNITY PROVISION

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

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

REPORT OF THE BOARD OF DIRECTORS

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

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

MANAGEMENT CONTRACTS

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

RETIREMENT AND EMPLOYEE BENEFITS SCHEME

Details of the retirement and employee benefits scheme of the Company are set out in note 4 to the consolidated financial statements. There was no forfeited contribution available to reduce the contribution payable by the Company under the schemes.

EQUITY-LINKED AGREEMENT

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

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

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

REPORT OF THE BOARD OF DIRECTORS

CONTINUING CONNECTED TRANSACTIONS

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

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

1. *Trust Consulting Framework Agreement with Shandong Taishan Culture Art Exchange Co., Ltd.*

The Company entered into a trust consulting framework agreement with Shandong Taishan Culture Art Exchange Co., Ltd. on 16 November 2017, whereby the Company in its capacity as a trustee engaged Shandong Taishan Culture Art Exchange Co., Ltd. from time to time to provide consulting services in relation to a number of artwork investment collective trusts that are or will be managed by the Company. The trust consulting framework agreement was entered into on normal commercial terms and took effect on the Listing Date of the Company with a term of three years.

Shandong Taishan Culture Art Exchange Co., Ltd. is a 30%-controlled company of our Controlling Shareholder, Lucion Group, and hence is a connected person of the Company under Chapter 14A of the Listing Rules.

The Company renewed the trust consulting framework agreement with Shandong Taishan Culture Art Exchange Co., Ltd. on 26 August 2019. The renewed trust consulting framework agreement was entered into on normal commercial terms with a term of three years commencing from 1 January 2020. The Company has determined the annual caps for the three years ending 31 December 2020, 2021 and 2022.

2. *Information Technology Service Framework Agreement with Lucion Science and Technology Co., Ltd.*

The Company entered into an information technology service framework agreement with Lucion Science and Technology Co., Ltd. on 16 November 2017, whereby the Company engaged Lucion Science and Technology Co., Ltd. to provide information technology services to the Company, including system maintenance, research and development and consulting services in relation to information technology systems and administrative services involving information technology work. Lucion Science and Technology Co., Ltd. shall also assist the Company in the procurement of software and hardware equipment. The information technology service framework agreement was entered into on normal commercial terms and took effect on the Listing Date of the Company for a term of three years.

REPORT OF THE BOARD OF DIRECTORS

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

The Company renewed the information technology service framework agreement with Lucion Science and Technology Co., Ltd. on 26 August 2019. The renewed information technology service framework agreement was entered into on normal commercial terms for a term of three years commencing from 1 January 2020. The Company has determined the annual caps for the three years ending 31 December 2020, 2021 and 2022.

3. *Outdoor Advertising Framework Agreement entered into with Shandong Lucion Co., Ltd. Advertisement*

The Company entered into such Outdoor Advertising Framework Agreement (the “**Existing Lucion Outdoor Advertising Framework Agreement**”) with Shandong Lucion Advertisement Co., Ltd. on 16 November 2017, whereby the company hired Shandong Lucion Advertising Co., Ltd. to design, produce and maintain various outdoor billboards for the Company. The Existing Outdoor Advertising Framework Agreement was entered into on normal commercial terms and took effect on the Listing Date of the Company for a term of three years.

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

The transactions under the Existing Lucion Outdoor Advertising Framework Agreement were full-exempted continuing connected transactions. The Company renewed such outdoor advertising framework agreement with Shandong Lucion Advertisement Co., Ltd. on 26 August 2019. The renewed outdoor advertising framework agreement was entered into on normal commercial terms for a term of three years commencing from 1 January 2020. The transactions contemplated under the renewed outdoor advertising framework agreement are non-exempted continuing connected transactions. The Company has determined annual caps for the three years ending 31 December 2020, 2021 and 2022.

In respect of renewing (1) the trust consulting framework agreement; (2) the information technology service framework agreement; and (3) the outdoor advertising framework agreement and its annual cap, the Company has complied with the applicable disclosure requirements under Chapter 14A of the Listing Rules. Please refer to the announcement published by the Company on 26 August 2019 for details.

REPORT OF THE BOARD OF DIRECTORS

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

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

1. *Management of Assets Entrusted by CNPC Assets Management and/or its Associates*

The Company entered into a trust framework agreement with CNPC Assets Management on 16 November 2017, pursuant to which the Company and CNPC Assets Management (for itself and on behalf of its associates) agreed to conduct CNPC trust transactions on normal commercial terms and in accordance with the pricing policy set out therein, and to provide trust services to CNPC Assets Management and its associates. The trust framework agreement took effect on the Listing Date for a term of three years.

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

The Company renewed such trust framework agreement with CNPC Assets Management on 26 August 2019. The renewed trust framework agreement was entered into on normal commercial terms for a term of three years commencing from 1 January 2020. The Company has determined the annual caps for the three years ending 31 December 2020, 2021 and 2022.

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

The Company entered into a trust framework agreement with Lucion Group on 16 November 2017, pursuant to which the Company and Lucion Group (for itself and on behalf of its associates) agreed to conduct trust transactions on normal commercial terms and in accordance with the pricing policy set out therein, and to provide trust services to Lucion Group and its associates. Such trust framework agreement took effect from the Listing Date with a term of three years.

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

The Company renewed such trust framework agreement with Lucion Group on 26 August 2019. The renewed trust framework agreement was entered into on normal commercial terms for a term of three years commencing from 1 January 2020. The Company has determined the annual caps for the three years ending 31 December 2020, 2021 and 2022.

REPORT OF THE BOARD OF DIRECTORS

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

The Company entered into a trust financing framework agreement with Lucion Group on 16 November 2017, pursuant to which the Company and Lucion Group (for itself and on behalf of its associates) agreed to conduct loan and financing transactions on normal commercial terms and in accordance with the pricing policy set out therein. The trust financing framework agreement took effect on the Listing Date for a term of three years.

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

The Company renewed such trust financing framework agreement with Lucion Group on 26 August 2019. The renewed trust framework agreement was entered into on normal commercial terms for a term of three years commencing from 1 January 2020. The Company has determined the annual caps for the three years ending 31 December 2020, 2021 and 2022.

During the Reporting Period, for the above continuing connected transactions subject to the annual reporting, announcement, circular and Independent Shareholders' approval requirements, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with the announcement, circular and Independent Shareholders' approval requirements relating to above continuing connected transactions under Rules 14A.35, 14A.36, 14A.46 and 14A.53(3) of the Listing Rules. We have also complied with the requirements relating to annual review. For details of the above non-exempt continuing connected transactions, please refer to the section headed "Connected Transactions" of the Prospectus.

In respect of the renewal of the transactions contemplated under (i) the CNPC assets management trust framework agreement; (ii) the Lucion Group trust framework agreement; (iii) the Lucion Group trust financing framework agreement and their respective annual caps, the Company has complied with the applicable disclosure requirements under Chapter 14A of the Listing Rules and obtained approval from Independent Shareholders at the 2019 first extraordinary general meeting held by the Company. For details, please refer to the announcements and circular published by the Company on 26 August 2019, 14 October 2019 and 28 November 2019, respectively.

REPORT OF THE BOARD OF DIRECTORS

The following table sets forth the respective annual caps and actual amounts for the non-exempt continuing connected transactions of the Company for the year ended 31 December 2021:

Continuing connected transactions	Annual caps for the year ended 31 December 2021	Actual amounts for the year ended 31 December 2021
	<i>(RMB in thousands)</i>	
I. Continuing connected transactions subject to the annual reporting and announcement requirements		
1. Trust consulting framework agreement with Shandong Taishan Culture Art Exchange Co., Ltd.	6,000	–
2. Information technology service framework agreement with Lucion Science and Technology Co., Ltd.	25,000	7,481
3. Outdoor advertising framework agreement with Shandong Lucion Advertisement Co., Ltd.	10,000	1,038
II. Continuing connected transactions subject to the annual reporting, announcement, circular and Independent Shareholders' approval requirements		
1. Management of Assets entrusted by CNPC Assets Management and/or its associates Trustee's remuneration to be received from the trusts of which CNPC Assets Management and its associates are trustors Maximum outstanding balance of the assets and funds to be entrusted by CNPC Assets Management and its associates	157,500 4,500,000	– –
2. Management of asset entrusted by Lucion Group and/or its associates Trustee's remuneration to be received from the trusts of which Lucion Group and its associates are trustors Maximum outstanding balance of the assets and funds to be entrusted by Lucion Group and its associates	150,000 7,500,000	35,608 2,414,059
3. Provision of loans or financing to Lucion Group and/or its associates by trusts managed by the Company Trustee's remuneration to be received from the trusts providing financing to Lucion Group and its associates Outstanding balance (including interests accrued thereon) of the loans or financing to Lucion Group and its associates	52,000 3,000,000	24,255 2,177,535

REPORT OF THE BOARD OF DIRECTORS

Confirmation from independent non-executive Directors

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

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

Letter from the auditor

The auditors of the Company have performed certain planned audit procedures for the above continuing connected transactions entered into by the Company for the year ended 31 December 2021, and concluded that such transactions:

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

III. Fully Exempt Continuing Connected Transactions

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

REPORT OF THE BOARD OF DIRECTORS

RELATED PARTY TRANSACTIONS

Please refer to note 41 to the consolidated financial statements in this annual report for details of the significant related party transactions pursuant to IFRSs. For the connected transactions and continuing connected transactions pursuant to the requirements of the Listing Rules, please refer to the disclosure set out in this section. Save as disclosed in this section, other related party transactions disclosed in note 41 are not considered as connected transactions, or are exempted from the reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules.

COMPLIANCE WITH NON-COMPETITION UNDERTAKING

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

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

Lucion Group has provided written confirmation to the Company, confirming that it has been in compliance with the Non-competition Undertaking for the year ended 31 December 2021. Independent Non-executive Directors have reviewed the compliance conditions, and confirmed that the Controlling Shareholder has complied with the Non-competition Undertaking.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

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

ENVIRONMENTAL POLICY

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

REPORT OF THE BOARD OF DIRECTORS

Pursuant to Rule 13.91 of the Listing Rules, the Company will publish an Environmental, Social and Governance Report (“ESG”) before 31 May 2022 in compliance with the provisions set out in the ESG Reporting Guide in Appendix 27 to the Listing Rules.

AUDIT COMMITTEE

The Audit Committee of the Company has reviewed the annual results of the Company for the year ended 31 December 2021 and the financial statements for the year ended 31 December 2021 prepared in accordance with the IFRS.

AUDITORS

The original external auditors appointed by the Company, PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers, retired as the external auditors of the Company at the conclusion of the 2020 AGM and were not re-appointed. With the approval of the 2020 AGM, ShineWing Certified Public Accountants LLP and SHINEWING (HK) CPA Limited were appointed as the external auditors of the Company, with effect from the end of the 2020 AGM and to hold office until the conclusion of the next annual general meeting of the Company. SHINEWING (HK) CPA Limited was appointed as the auditor to audit the financial information for the year ended 31 December 2021 prepared in accordance with the IFRS. The enclosed financial statements prepared in accordance with the IFRS has been audited by SHINEWING (HK) CPA Limited.

COMPOSITION OF THE BOARD

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

Executive Directors: Mr. Wan Zhong and Mr. Fang Hao;

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

Independent Non-executive Directors: Mr. Yen Huai-chiang, Mr. Ding Huiping, Ms. Meng Rujing.

EVENTS AFTER THE REPORTING PERIOD

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

By order of the Board
Chairperson of the Board
Wan Zhong

30 March 2022

REPORT OF THE BOARD OF SUPERVISORS

COMPOSITION OF THE BOARD OF SUPERVISORS

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

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

FUNCTIONS AND AUTHORITIES AND OPERATION OF THE BOARD OF SUPERVISORS

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

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

REPORT OF THE BOARD OF SUPERVISORS

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

MEETING OF THE BOARD OF SUPERVISORS

During the Reporting Period, the Board of Supervisors had held 6 meetings and considered and approved proposals and matters including the Work Report of the Board of Supervisors for the Year 2020 (Draft) and 2020 Internal Control Self-Evaluation Report,.

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

Supervisors	Number of meetings attended/number of attendance required
Guo Shougui	6/6
Hou Zhenkai	6/6
Chen Yong	6/6
Wu Chen	6/6
Wang Zhimei	6/6
Zuo Hui	6/6
Zhang Wenbin	6/6
Li Yan	0/0
Wang Yan	0/0
Supervisor who has resigned:	
Tian Zhiguo	6/6

Notes:

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

REPORT OF THE BOARD OF SUPERVISORS

WORK OF BOARD OF SUPERVISORS

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

Performance Supervision

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

Financial Supervision

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

Internal Control Supervision

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

Risk Supervision

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

Internal Matters

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

REPORT OF THE BOARD OF SUPERVISORS

INDEPENDENT OPINIONS ISSUED BY THE BOARD OF SUPERVISORS

In accordance with the Articles of Association and relevant regulations, the Board of Supervisors for the year 2021 has discharged its supervisory duties against the performance of the Board and senior management. Comments on the relevant issues are as follows:

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

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

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

Financial report

The financial report for the year of 2021 reflects a fair, true and complete view of the Company's financial position and operating results.

Relevant advice and work plan for the year 2022

In 2022, the Board of Supervisors and each Supervisor will follow the PRC Company Law, the Guidelines for Governance of Trust Companies and the Articles of Association. The Board of Supervisors, together with its members, will continue to improve on its ability of work and level of supervision, proactively diversifying its mindset and diligently perform its duties, thereby helping the Company improve the corporate governance structure and the internal risk control, level insist on operations in compliance with applicable laws and regulations, safeguard the interest of the Company and its Shareholders and realise sustainable and healthy development.

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

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

30 March 2022

The background features a light blue gradient with a large, stylized number '4' in a darker blue. Faint, semi-transparent financial symbols and bar charts are scattered across the upper portion of the page. A horizontal line is visible on the left side, partially overlapping the number '4'.

4

Financial Reports and Additional
Information Disclosure Required
by CBIRC

Independent Auditor's Report	160
Additional Information Disclosure Required by CBIRC	274
Definitions and Glossary of Technical Terms	284

INDEPENDENT AUDITOR'S REPORT



SHINEWING (HK) CPA Limited
43/F., Lee Garden One, 33 Hysan Avenue
Causeway Bay, Hong Kong

信永中和(香港)會計師事務所有限公司
香港銅鑼灣希慎道33號
利園一期43樓

山東省國際信託股份有限公司

(incorporated in the People's Republic of China with limited liability)

OPINION

We have audited the consolidated financial statements of Shandong International Trust Co., Ltd. (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages 168 to 273, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs") issued by the IASB. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

Key audit matters identified in our audit are summarised as follows:

- Consolidation assessment of trust schemes
- Expected credit loss ("ECL") of loans to customers
- Going concern assessment

INDEPENDENT AUDITOR'S REPORT

Consolidation assessment of trust schemes

Refer to note 39 to the consolidated financial statements and the accounting policies on pages 179 and 181 to 182.

The key audit matter

How the matter was addressed in our audit

The Group has managed and/or invested in a number of trust schemes. As at 31 December 2021, among all these trust schemes, total volume of RMB12,053 million were consolidated by the Group while RMB144,397 million were not consolidated by the Group in the consolidated financial statements of the Company.

Management performed assessment on each of the three elements of control (power to direct relevant activities of trust schemes, exposure to variable returns and the Group's ability to use its power to affect its variable returns from the trust schemes) in accordance with International Financial Reporting Standard No.10 - Consolidated Financial Statements ("IFRS 10"), to determine whether the trust schemes managed and/or invested in by the Group should be consolidated or not. In performing the assessment, significant judgment was involved to determine the role of the Group in the arrangement as either a principal or an agent. If the Group acts as a principal, the Group has control over the trust schemes and the trust schemes were consolidated by the Group in the consolidated financial statements of the Company. However, if the Group acts as an agent, the Group does not has control over the trust schemes and the trust schemes were not consolidated by the Group in the consolidated financial statements of the Company.

We focused on this area because the amount of the trust schemes with which the Group had involvement was significant and the consolidation assessment of these trust schemes involved significant judgments. In view of these reasons, we identified this as a key audit matter.

Our procedures in relation to the consolidation assessment of trust schemes included:

- We obtained understanding of the management's controls over the consolidation assessment of trust schemes.
- We selected samples of trust schemes that the Group managed and/or invested in these trust schemes, and performed the following procedures on management's assessment of consolidation of trust schemes;
 - We understood the purpose and design of the transaction structures, inspected related contract terms and evaluated whether the Group has the practical ability to direct the relevant activities of these trust schemes unilaterally;
 - We inspected contract terms from these selected trust schemes, including management fee, direct investment and liquidity support, agreed such information to the corresponding inputs used in management's assessment on the variable returns and also assessed the commitment by the Group to provide liquidity support to these trust schemes, if any;
 - We reviewed the management's assessment regarding the variable returns to the Group from these trust schemes based on the contract terms;
 - We assessed the Group's role in the trust schemes as a principal or an agent through analysing the Group's practical ability to use its power to affect its variable returns from the trust schemes, benchmarking the level of variable returns that concludes whether the Group to be a principal or an agent against the guidance in IFRS 10.

INDEPENDENT AUDITOR'S REPORT

Expected credit losses (“ECL”) of loans to customers

Refer to note 23 to the consolidated financial statements and accounting policies on pages 192.

The key audit matter

As at 31 December 2021, the Group's gross loans to customers amounted to RMB 11,594 million and a loss allowance of RMB 2,207 million was recognised in the Group's consolidated statement of financial position. The impairment losses on loans to customers recognised in the Group's consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2021 amounted to RMB 650 million.

As at 31 December 2021, the balance of loss allowance for loans to customers represents the management's best estimate at the end of the reporting period of ECL using the model developed in accordance with International Financial Reporting Standard No. 9 - Financial Instruments (“ECL Models”).

The Group assesses whether the credit risk of loans to customers has increased or decreased significantly since its initial recognition and applies a three-stage impairment model to calculate its ECL. For loans to customers in stages 1 and 2, management assesses loss allowance that incorporates key parameters, including probability of default, loss given default, exposure at default and discount rates after taking into consideration forward-looking factors. For loans to customers in stage 3, management assesses loss allowance by estimating the future cash flows from the loans after taking into consideration forward-looking factors.

How the matter was addressed in our audit

Our procedures in relation to ECL of loans to customers included:

- We obtained an understanding of the management's approach in calculating ECL and management's key controls over the measurement of ECL for loans to customers. We assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors, such as complexity, subjectivity and susceptibility to management bias or fraud.
- We evaluated the outcome of prior period of ECL for loans to customers to assess the effectiveness of management's estimation process.
- We evaluated and tested the key controls over the measurement of ECL for loans to customers.
- In addition, we have performed the following procedures;
 - We assessed the modelling methodologies for ECL measurement based on industry practice, and the reasonableness of the portfolio segmentation, model selection, key parameters estimation, other significant judgements and assumptions in relation to the modelling;

INDEPENDENT AUDITOR'S REPORT

The key audit matter	How the matter was addressed in our audit
<p>The measurement model of ECL involves significant management judgments and assumptions, primarily including the following:</p> <ul style="list-style-type: none">• Choosing appropriate model and assumptions for the measurement of ECL;• Criteria for determining whether or not there was a significant increase in credit risk, or a default or impairment loss was incurred;• Economic indicators for forward-looking measurement, and the application of economic scenarios and weightings;• The estimated future cash flows for loans to customers in stage 3.	<ul style="list-style-type: none">– We assessed management's criteria for determining whether or not there was a significant increase or decrease in credit risk, or loans that were default or credit impaired. In addition, we selected samples, in consideration of the financial and non-financial information of the borrowers, relevant external evidence and other factors, to validate the appropriateness of the management's identification of significant increase or decrease in credit risk, default and credit-impaired loans;– For forward-looking measurement, we reviewed the management's model analysis of their selection of economic indicators, economic scenarios and weightings employed and assessed the reasonableness of the prediction of economic indicators;– We examined major data inputs to the ECL Models on selected samples, including historical data and other data at the measurement date, to validate their accuracy and completeness;– We examined, on a sample basis, forecasted future cash flows prepared by the Group based on financial information of borrowers and guarantors, latest collateral valuations and other available information together with discount rates in supporting the computation of loss allowance of loans to customers in stage 3, if appropriate.

The estimation of ECL is subject to high degree of estimation uncertainty. The inherent risk in relation to the impairment assessment of loan is considered significant due to the complexity of the models, which employ numerous parameters and data inputs, and applied significant management judgments and assumptions. In addition, the loans to customers, and the impairment loss recognised in current period were significant. In view of these reasons, we identified this as a key audit matter.

INDEPENDENT AUDITOR'S REPORT

Going Concern Assessment

Refer to note 2(b) to the consolidated financial statements

The key audit matter

As at 31 December 2021, the Group's current liabilities exceeded its current assets by RMB 2,305 million. In addition, as at 31 December 2021, the Group's contracted but not provided for capital commitments were of approximately RMB 3 million. These conditions may cast significant doubt regarding the Group's ability to continue as a going concern.

Based on the going concern assessment conducted by the directors of the Company, the Group's consolidated financial statements were prepared on a going concern basis which are set out in note 2(b) to the consolidated financial statements.

The going concern assessment is identified as a key audit matter as significant management judgements and assumptions involved in determining whether a material uncertainty exists and in estimating the Group's future cash flows and funding requirements.

How the matter was addressed in our audit

Our procedures in relation to evaluate significant judgements and key assumptions underlying the going concern assessment involved;

- We obtained management's cash flow projection, discussed with senior management to understand their future operation plans and evaluated the underlying assumptions in the preparation of such projection;
- We examined and assessed management's sensitivity analysis over the key assumptions including the level of fee and commission income, investment income, recoverability of loans to customers, operating expenses and potential outcome of the various measures adopted by management in mitigating the liquidity pressure;
- We inspected contracts with trust schemes managed and/or invested by the Group, on a sample basis, to assess any commitment by the Group to provide liquidity support to these trust schemes and its implications to the cash flow projection, if appropriate; and
- In relation to the financial support provided by Lucion Investment Holdings Group Co., Ltd ("Lucion Group"), we performed the following procedures:
 - We inspected the details of the means to provide the support granted and related approval and governance procedures; and
 - We interviewed with senior executives of Lucion Group in assessing their intention and financial strengths to honour such commitments with reference to the financial information of Lucion Group.

INDEPENDENT AUDITOR'S REPORT

OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 December 2020, were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on 31 March 2021.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS OF THE COMPANY AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors of the Company determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion, solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Company.
- Conclude on the appropriateness of the Company's directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Mr. Chan Wing Kit.

SHINEWING (HK) CPA Limited

Certified Public Accountants

Chan Wing Kit

Practising Certificate Number: P03224

Hong Kong

30 March 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

(All amounts expressed in thousands of RMB unless otherwise stated)

	Notes	2021	2020
Fee and commission income	7	829,727	1,152,419
Interest income	8	540,793	716,614
Net changes in fair value on financial assets at fair value through profit or loss and investments in associates measured at fair value	9	(206,893)	126,561
Investment income	10	272,877	146,181
Net gains on disposal of associates	11	333,949	109,920
Other operating income	12	8,243	53,935
Total operating income		1,778,696	2,305,630
Interest expenses	13	(552,096)	(620,516)
Staff costs (including directors and supervisors' emoluments)	14	(144,038)	(139,254)
Depreciation and amortisation		(16,490)	(13,588)
Change in net assets attributable to other beneficiaries of consolidated structured entities		(151,455)	(16,575)
Tax and surcharges		(12,701)	(11,317)
Administrative expenses		(93,251)	(78,998)
Auditors' remuneration		(1,415)	(1,972)
Impairment losses on financial assets, net of reversal	16	(823,432)	(1,058,799)
Impairment losses on other assets		–	(514)
Total operating expenses		(1,794,878)	(1,941,533)
Operating (loss) profit		(16,182)	364,097
Share of results of investments in associates accounted for using the equity accounting method	17	481,324	368,874
Profit before income tax		465,142	732,971
Income tax credit (expense)	18	3,377	(105,153)
Net profit attributable to shareholders of the Company		468,519	627,818

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021
(All amounts expressed in thousands of RMB unless otherwise stated)

	Notes	2021	2020
Other comprehensive income (expense)			
Item that may be reclassified subsequently to profit or loss:			
Share of other comprehensive income (expense) from investments in associates accounted for using the equity accounting method	34	7,575	(6,870)
Total other comprehensive income (expense), net of tax		7,575	(6,870)
Total comprehensive income attributable to shareholders of the Company		476,094	620,948
Basic and diluted earnings per share attributable to the shareholders of the Company (in RMB yuan)	19	0.10	0.13

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

(All amounts expressed in thousands of RMB unless otherwise stated)

	Notes	2021	2020
Assets			
Non-current assets			
Property and equipment	20	121,933	122,135
Investment properties	21	141,374	145,139
Right-of-use assets		11,980	680
Intangible assets		24,318	13,672
Investments in associates	22	2,072,304	3,242,780
Financial assets at fair value through profit or loss	29	1,427,659	679,519
Loans to customers	23	8,214,294	9,641,926
Financial investments - amortised cost	24	887,634	50,288
Advance payments	25	15,434	20,097
Deferred income tax assets	26	617,708	315,759
Other non-current assets	27	18,331	188,932
Total non-current assets		13,552,969	14,420,927
Current assets			
Cash and bank balances	28	1,586,596	969,535
Financial assets at fair value through profit or loss	29	1,736,800	1,556,937
Financial assets purchased under resale agreements	30	697,607	107,147
Loans to customers	23	1,172,586	3,105,648
Trustee's remuneration receivable		200,148	165,875
Advance payments	25	7,000	-
Other current assets	31	108,841	357,752
Total current assets		5,509,578	6,262,894
Total assets		19,062,547	20,683,821
Equity and liabilities			
Share capital	32	4,658,850	4,658,850
Capital reserve	32	143,285	143,285
Statutory surplus reserve	33	952,314	903,941
Statutory general reserve	33	1,141,068	892,695
Other reserves	34	(160)	(7,735)
Retained earnings		3,755,861	3,584,088
Total equity		10,651,218	10,175,124

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

(All amounts expressed in thousands of RMB unless otherwise stated)

	Notes	2021	2020
Liabilities			
Non-current liabilities			
Salary and welfare payable		21,551	24,157
Lease liabilities		7,090	122
Net assets attributable to other beneficiaries of consolidated structured entities	36	567,839	1,417,461
Total non-current liabilities		596,480	1,441,740
Current liabilities			
Short-term borrowings	37	1,604,227	100,000
Lease liabilities		4,320	573
Salary and welfare payable		94,450	85,876
Net assets attributable to other beneficiaries of consolidated structured entities	36	4,717,136	8,042,296
Income tax payable		99,756	31
Other current liabilities	38	1,294,960	838,181
Total current liabilities		7,814,849	9,066,957
Total liabilities		8,411,329	10,508,697
Net current liabilities		(2,305,271)	(2,804,063)
Total equity and liabilities		19,062,547	20,683,821

The consolidated financial statements on pages 168 to 273 were approved and authorised for issue by the Board of Directors of the Company on 30 March 2022 and signed on its behalf by :

Chairman and Executive Director

General Manager and Executive Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

(All amounts expressed in thousands of RMB unless otherwise stated)

	Share capital (note 32)	Capital reserve (note 32)	Statutory surplus reserve (note 33)	Statutory general reserve (note 33)	Other reserves (note 34)	Retained earnings	Total
At 1 January 2021	4,658,850	143,285	903,941	892,695	(7,735)	3,584,088	10,175,124
Net profit for the year	-	-	-	-	-	468,519	468,519
Other comprehensive income for the year	-	-	-	-	7,575	-	7,575
Total comprehensive income for the year	-	-	-	-	7,575	468,519	476,094
Appropriation to statutory surplus reserve	-	-	48,373	-	-	(48,373)	-
Appropriation to statutory general reserve	-	-	-	248,373	-	(248,373)	-
Balance at 31 December 2021	4,658,850	143,285	952,314	1,141,068	(160)	3,755,861	10,651,218
Balance at 1 January 2020	4,658,850	143,285	845,282	834,036	(865)	3,329,825	9,810,413
Net profit for the year	-	-	-	-	-	627,818	627,818
Other comprehensive expense for the year	-	-	-	-	(6,870)	-	(6,870)
Total comprehensive (expense) income	-	-	-	-	(6,870)	627,818	620,948
Appropriation to statutory surplus reserve	-	-	58,659	-	-	(58,659)	-
Appropriation to statutory general reserve	-	-	-	58,659	-	(58,659)	-
Dividend distribution (note 35)	-	-	-	-	-	(256,237)	(256,237)
Balance at 31 December 2020	4,658,850	143,285	903,941	892,695	(7,735)	3,584,088	10,175,124

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021
(All amounts expressed in thousands of RMB unless otherwise stated)

	Notes	2021	2020
Cash flows from operating activities			
Profit before income tax		465,142	732,971
Adjustments for:			
Depreciation and amortisation		16,490	13,588
Impairment losses on financial assets	16	823,432	1,058,799
Impairment losses on other assets		-	514
Net changes in fair value on financial assets at fair value through profit or loss and investments in associates measured at fair value	9	206,893	(126,561)
Change in net assets attributable to other beneficiaries of consolidated structured entities		151,455	16,575
Net gains on disposal of associates	11	(333,949)	(109,920)
Share of results of investments in associates accounted for using the equity accounting method	17	(481,324)	(368,874)
Interest expense		80,770	14,017
Dividend income from financial assets at fair value through profit or loss		(59,841)	(6,768)
Net loss on disposal of property and equipment, intangible assets and other long-term assets		-	(19)
Subtotal		869,068	1,224,322
Net change in operating assets and operating liabilities:			
Increase in financial assets at fair value through profit or loss		(31,222)	(847,119)
Decrease (increase) in loans to customers		2,710,463	(6,019,661)
(Increase) decrease in financial investments - amortised cost		(1,024,817)	27,400
Increase in financial assets purchased under resale agreements		(590,460)	(96,121)
Net (decrease) increase in net assets attributable to other beneficiaries of consolidated structured entities		(4,326,237)	5,743,898
Net decrease in other operating assets		344,074	185,559
Net increase in other operating liabilities		462,747	451,525
Cash (used in) from operating activities before income tax		(1,586,384)	669,803
Income tax paid		(145,567)	(432,130)
Net cash (used in) generated from operating activities		(1,731,951)	237,673

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

(All amounts expressed in thousands of RMB unless otherwise stated)

	Notes	2021	2020
Cash flows from investing activities			
Dividends received from investments in associates accounted for using the equity accounting method		130,099	79,972
Dividend from financial assets		59,841	-
Proceeds from disposal of property and equipment, intangible assets and other long-term assets		66	1
Purchase of property and equipment, intangible assets and other long-term assets		(21,524)	(12,452)
Purchase of financial assets at fair value through profit or loss		(108,200)	(55,203)
Proceeds from sales of financial assets at fair value through profit or loss		21,266	301,154
Proceeds from disposal of investments in associates		911,718	142,538
Acquisition of investments in associates		(65,233)	(194,555)
Net cash generated from investing activities		928,033	261,455
Cash flows from financing activities			
Proceeds from short-term loans		1,600,000	700,000
Repayment of short-term loans		(100,000)	(920,000)
Interest expense paid		(76,543)	(14,017)
Repayment of lease liabilities		(2,296)	-
Dividends paid to shareholders	35	-	(260,611)
Net cash generated from (used in) financing activities		1,421,161	(494,628)
Effect of exchange rate changes on cash and cash equivalents		(182)	611
Net increase in cash and cash equivalents		617,061	5,111
Cash and cash equivalents at the beginning of the year		969,535	964,424
Cash and cash equivalents at the end of the year	28	1,586,596	969,535
Net cash flows from operating activities including:			
Interest received		548,244	697,567
Interest paid		(405,110)	(311,907)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2021
(All amounts expressed in thousands of RMB 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 2021. Lucion Group is further controlled by Shandong Provincial Department of Finance.

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

The Company and its subsidiaries (including consolidated structured entities) are collectively referred to as the “Group”. The information of the Company’s consolidated structured entities is provided in note 39.

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

(a) Compliance with International Financial Reporting Standards (“IFRSs”) 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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

(All amounts expressed in thousands of RMB unless otherwise stated)

2. BASIS OF PREPARATION (CONTINUED)

(a) Compliance with International Financial Reporting Standards (“IFRSs”) and Hong Kong Companies Ordinance (Continued)

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. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statement are disclosed in note 5.

(b) Going concern basis

As at 31 December 2021, the Group’s current liabilities exceeded its current assets by RMB2,305 million (2020: RMB2,804 million). In addition, as at 31 December 2021, the Group’s capital commitments contracted but not provided were of approximately RMB3 million (2020: RMB12 million).

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2021
(All amounts expressed in thousands of RMB unless otherwise stated)*

2. BASIS OF PREPARATION (CONTINUED)

(b) Going concern basis (Continued)

The Group has requested, and Lucion Group has committed, to provide financial support to ensure the Group will have sufficient financial resources to meet its obligations when they fall due within the next eighteen months from 31 December 2021 through measures, including but not limited to the following:

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

The directors of the Company have reviewed the Group's cash flow projections prepared by management of the Company, which cover a period of not less than twelve months from 31 December 2021. They are of the opinion that, taking into account the abovementioned measures, in particular, the financial support from Lucion Group, the Group will have sufficient financial resources to finance its operations and to meet its financial obligations as and when they fall due within twelve months from 31 December 2021. Accordingly, the directors of the Company are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis. The consolidated financial statements do not include any adjustments relating to the carrying amounts and reclassification of assets and liabilities that might be necessary should the Group be unable to continue as a going concern.

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 mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

Amendment to IFRS 16	Covid-19-Related Rent Concessions
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

(All amounts expressed in thousands of RMB unless otherwise stated)

3. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

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	Insurance Contracts and related Amendments ³
Amendments to IFRS 3	Reference to Conceptual Framework ²
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to IFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021 ¹
Amendments to IAS 1	Classification of Liabilities as Current or Non-current ³
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies ³
Amendments to IAS 8	Definition of Accounting Estimates ³
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ³
Amendments to IAS 16	Property, plant and equipment: Proceeds before Intended Use ²
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract ²
Amendment to IFRSs	Annual improvement to IFRSs 2018 – 2020 cycle ²
Initial Application of IFRS 17 and IFRS 9	Comparative Information (Amendment to IFRS 17) ³

¹ Effective for annual periods beginning on or after 1 April 2021.

² Effective for annual periods beginning on or after 1 January 2022.

³ Effective for annual periods beginning on or after 1 January 2023.

⁴ 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. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB on the historical cost basis except for certain financial assets and investments in associates that are measured at fair value through profit or loss at the end of each reporting period and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance. For the purpose of preparation of the consolidated financial statements, information is considered material of such information is reasonably expected to influence decisions made by primary users.

Historical cost is generally based on the fair value of the consideration given in exchange for services.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2021
(All amounts expressed in thousands of RMB unless otherwise stated)*

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date regardless of whether that price is directly observable or estimated using another valuation technique. Details of fair value measurement are explained in the accounting policies set out below.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structures entities) controlled by the Company and its subsidiaries. Control is achieved where the Group:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

When the Company has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements;
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

(All amounts expressed in thousands of RMB unless otherwise stated)

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in subsidiaries

Investments in subsidiaries (including a structured entity) are stated on the statement of financial position of the Company at cost less accumulated impairment loss.

Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

The Group's investments in associates are accounted for in the consolidated financial statements either using the equity accounting method of accounting or fair value measurement.

The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity accounting method, investments in associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. Changes in net assets of the associate other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group assesses whether there is objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group elects to measure certain investments in associates held indirectly through a venture capital organisation, or a mutual fund, unit trust and similar entities including investment-linked insurance funds at fair value through profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2021
(All amounts expressed in thousands of RMB unless otherwise stated)*

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in associates (Continued)

When the investment ceases to be an associate upon the Group losing significant influence over the associate, the Group discontinues to apply equity method and any retained interest is measured at fair value at that date which is regarded as its fair value on initial recognition as a financial asset in accordance with the applicable standard. Any difference between the fair value of any retained interest and any proceeds from disposing of a part interest in the associate and the carrying amount of the investment at the date the equity method was discontinued is recognised in profit or loss. Any amount previously recognised in other comprehensive income in relation to that investment is reclassified to profit or loss or retained earnings on the same basis as it would have been required if the investee had directly disposed of the related assets or liabilities.

Gains and losses resulting from transactions between the Group and its associate are recognised in consolidated financial statements only to the extent of unrelated investors' interests in the associate. The Group's share in the associate's gains or losses resulting from these transactions is eliminated.

Structured entities

A structured entity is an entity that has been designed so that voting rights or similar rights are not the dominant factor in deciding who controls the investee, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual or relative arrangements. A structured entity often has some or all of the following features or attributes: (a) restricted activities; (b) a narrow and well-defined objective, such as to provide investment opportunities for investors by passing on risks and rewards associated with the assets of the structured entity to investors; (c) insufficient equity to permit the structured entity to finance its activities without subordinated financial support; and (d) financing in the form of multiple contractually linked instruments to investors that create concentrations of credit or other risks.

When the Group is an investor of a structured entity in which the Group also acts as a manager, the Group will determine whether it is a principal or an agent for the purpose of assessing whether the Group controls the relevant structured entity.

An agent is a party primarily engaged to act on behalf and for the benefit of another party or parties (the principal(s)) and therefore does not control the investee when it exercises its decision-making authority. In determining whether the Group is an agent to the structured entity, the Group would assess:

- the scope of its decision-making authority over the investee;
- the rights held by other parties;
- the remuneration to which it is entitled in accordance with the remuneration agreements; and
- the decision maker's exposure to variability of returns from other interests that it holds in the investee.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

(All amounts expressed in thousands of RMB unless otherwise stated)

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Structured entities (Continued)

Structured entities with which the Group is involved include trust schemes, investment funds and asset management products. The Company establishes trust schemes, by virtue of which it earns fee income by providing trustee and management services to the trustors (also refer to investors) of the trust schemes. The trust schemes mainly include financing trust schemes and investment trust schemes. The Company may also make direct investments in the trust schemes it establishes and manages and/or invests.

For structured entities, the Group assesses whether they should be consolidated based on the contractual terms as to whether the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the practical ability to affect those returns through its power to direct the relevant activities of the entity unilaterally. The consolidated structured entities of the Group are disclosed in note 39(b). Third-party beneficiaries' interests in the consolidated structured entities with a limited life or puttable instruments issued are classified as liabilities in the consolidated statement of financial position, and net profits or losses attributable to third-party beneficiaries are recorded in either "interest expense" for consolidated financing trust schemes or "change in net assets attributable to other beneficiaries of the consolidated structured entities" for consolidated investment trust schemes.

Revenue recognition

Revenue is recognised to depict the transfer of promised services to customers at an amount that reflects the consideration to which an entity expects to be entitled in exchange for those services to a customer. Specifically, the Group uses a five-step approach to recognise revenue:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation.

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the services underlying the particular performance obligations is transferred to customers.

A performance obligation represents a service (or a bundle of services) that is distinct or a series of distinct services that are substantially the same.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts expressed in thousands of RMB unless otherwise stated)

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (Continued)

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct service.

Revenue is measured based on the consideration specified in a contract with a customer, excludes amounts collected on behalf of third parties, discounts and sales related taxes.

The Group recognised revenue from the following major sources:

- Fee and commission income
- Interest income
- Dividend income

Fee and commission income

The Group earns fee and commission income from trust and other businesses it provides to its customers. Fee and commission income is recognised when the Group fulfils its performance obligation, either over time or at a point in time when a customer obtains control of the service.

For the performance obligations satisfied at a point in time, the Group recognises revenue when control is passed to the customer at a certain point in time. For the performance obligations satisfied over time, the Group recognises revenue according to the progress toward satisfaction of the obligation over the time.

On the balance sheet date, the Group re-estimates the progress of completion so that it can reflect changes in performance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

(All amounts expressed in thousands of RMB unless otherwise stated)

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (Continued)

Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for:

- (a) Purchased or originated credit-impaired ("POCI") financial assets, for which the original credit-adjusted effective interest rate is applied to the amortised cost of the financial asset.
- (b) Financial assets that are not 'POCI' but have subsequently become credit-impaired (or 'stage 3'), for which interest income is calculated by applying the effective interest rate to their amortised cost (i.e. net of the expected credit loss provision).

Dividend income

Dividends are recognised when the right to receive payment is established.

Borrowing costs

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other operating income".

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts expressed in thousands of RMB unless otherwise stated)

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employee benefits

Employee benefits are all forms of consideration given and other relevant expenditures incurred by the Group in exchange for services rendered by employees or for termination of the employment contracts. These benefits include short-term and other long-term employee benefits and post-employment benefits.

Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another IFRS requires or permits their inclusion in the cost of an asset.

Post-employment benefits

The Group's post-employment benefits are primarily the payments for basic pensions and unemployment insurance related to government mandated social welfare programs, as well as the annuity scheme established. All these post-employment benefits are defined contribution plans, under which, the Group makes fixed contributions into a separate fund and will have no legal or constructive obligation to make further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee services in the current and prior periods.

Contributions to the basic pensions and unemployment insurance plans are recognised in profit or loss for the period in which the related payment obligation is incurred.

Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

(All amounts expressed in thousands of RMB unless otherwise stated)

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit/loss before income tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in a subsidiary and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investment is only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2021
(All amounts expressed in thousands of RMB unless otherwise stated)*

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (Continued)

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle current tax liabilities and assets on net basis.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits that can be readily drawn on demand, and short-term and highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value, such as, deposits with banks with original tenors less than 3 months.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

(All amounts expressed in thousands of RMB unless otherwise stated)

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets and liabilities

Measurement methods

Amortised cost and effective interest rate

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

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

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

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on trade- date, the date on which the Group commits to purchase or sell the asset.

At initial recognition, the Group measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss. Immediately after initial recognition, an ECL is recognised for financial assets measured at amortised cost and investments in debt instruments measured at Fair value through other comprehensive income ("FVTOCI"), which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts expressed in thousands of RMB unless otherwise stated)

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED) (Continued)

Financial assets and liabilities (Continued)

Measurement methods (Continued)

Initial recognition and measurement (Continued)

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the entity recognises the difference as follows:

- (a) When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or loss.
- (b) In all other cases, the difference is deferred, and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

Financial assets

(i) Classification and subsequent measurement

The Group classifies its financial assets in the following measurement categories:

- Fair value through profit or loss ("FVTPL");
- FVTOCI; or
- Amortised cost.

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

Debt instruments

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

Classification and subsequent measurement of debt instruments depend on:

- (a) the Group's business model for managing the asset; and
- (b) the cash flow characteristics of the asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

(All amounts expressed in thousands of RMB unless otherwise stated)

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED) (Continued)

Financial assets and liabilities (Continued)

Financial assets (Continued)

(i) Classification and subsequent measurement (Continued)

Debt instruments (Continued)

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

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

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

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

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent SPPI, and that are not designated at FVTPL, are measured at amortised cost. The carrying amount of these assets is adjusted by expected credit loss allowance. Interest income from these financial assets is included in 'Interest and similar income' using the effective interest rate method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts expressed in thousands of RMB unless otherwise stated)

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets and liabilities (Continued)

Financial assets (Continued)

(i) *Classification and subsequent measurement (Continued)*

Debt instruments (Continued)

FVTOCI: Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVTPL, are measured at FVTOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and recognised in 'Investment income'. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

FVTPL: Assets that do not meet the criteria for amortised cost or FVTOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL and is not part of a hedging relationship is recognised in profit or loss and presented in the profit or loss statement within 'Net changes in fair value on financial assets at fair value through profit or loss' in the period in which it arises.

The Group reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Examples of equity instruments include basic ordinary shares.

The Group subsequently measures all equity investments at FVTPL, except where the Group's management has elected, at initial recognition, to irrevocably designate an equity investment at FVTOCI. When this election is used, fair value gains and losses are recognised in other comprehensive income and are not subsequently reclassified to profit or loss, including on disposal. Dividends, when representing a return on such investments, continue to be recognised in profit or loss as investment income when the Group's right to receive payments is established. Changes in the fair value of equity investment at FVTPL are recognised in "Net changes in fair value on financial asset at FVTPL" in the profit or loss. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

(All amounts expressed in thousands of RMB unless otherwise stated)

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets and liabilities (Continued)

Financial assets (Continued)

(ii) Impairment

The Group assesses on a forward-looking basis the ECL associated with its debt instrument assets carried at amortised cost and FVTOCI and with the exposure arising from loan commitments and financial guarantee contracts. The Group recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Expected credit loss measurement is disclosure in note 44(a)(ii).

(iii) Modification of loans

The Group sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, the Group assesses whether or not the new terms are substantially different to the original terms. The Group does this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay.
- Whether any substantial new terms are introduced, such as a profit share/equity- based return that substantially affects the risk profile of the loan.
- Significant extension of the loan term when the borrower is not in financial difficulty.
- Significant change in the interest rate.
- Change in the currency the loan is denominated in.
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts expressed in thousands of RMB unless otherwise stated)

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets and liabilities (Continued)

(iii) Modification of loans (Continued)

If the terms are substantially different, the Group derecognises the original financial asset and recognises a 'new' asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Group also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in profit or loss as a gain or loss on derecognition.

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

(iv) Derecognition other than on a modification

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (a) the Group transfers substantially all the risks and rewards of ownership, or (b) the Group neither transfers nor retains substantially all the risks and rewards of ownership and the Group has not retained control.

The Group enters into transactions where it retains the contractual rights to receive cash flows from assets but assumes a contractual obligation to pay those cash flows to other entities and transfers substantially all of the risks and rewards. These transactions are accounted for as "pass through" transfers that result in derecognition if the Group:

- (a) Has no obligation to make payments unless it collects equivalent amounts from the assets;
- (b) Is prohibited from selling or pledging the assets; and
- (c) Has an obligation to remit any cash it collects from the assets without material delay.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

(All amounts expressed in thousands of RMB unless otherwise stated)

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets and liabilities (Continued)

(iv) Derecognition other than on a modification (Continued)

When the contractual rights to receive the cash flows from the assets have been transferred, and the Group neither transfers nor retains substantially all the risks and rewards of ownership, and the Group has retained control of the transferred assets, the Group applies continuing involvement approach. Under this approach, the Group continues to recognise the transferred asset to the extent of its continuing involvement and recognise the associated liability, to reflect the rights and obligations retained by the Group. The net carrying amount of the transferred asset and associated liability is: (a) the amortised cost of the rights and obligations retained by the Group, if the transferred asset is measured at amortised cost; or (b) equal to the fair value of the rights and obligations retained by the Group when measured on a stand-alone basis, if the transferred asset is measured at fair value.

Financial liabilities

(i) Classification and subsequent measurement

Financial liabilities are classified as subsequently measured at amortised cost, except for:

- Financial liabilities at FVTPL: this classification is applied to derivatives, financial liabilities held for trading and other financial liabilities designated as such at initial recognition. Gains or losses on financial liabilities designated at fair value through profit or loss are presented partially in other comprehensive income (the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, which is determined as the amount that is not attributable to changes in market conditions that give rise to market risk) and partially profit or loss (the remaining amount of change in the fair value of the liability). This is unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains and losses attributable to changes in the credit risk of the liability are also presented in profit or loss;
- Financial liabilities: Financial liabilities arising from the transfer of financial assets which did not qualify for derecognition, whereby a financial liability is recognised for the consideration received for the transfer. In subsequent periods, the Group recognises any expense incurred on the financial liability; and
- Financial guarantee contracts and loan commitments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts expressed in thousands of RMB unless otherwise stated)

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets and liabilities (Continued)

(ii) Derecognition

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

The exchange between the Group and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in covenants are also taken into consideration. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount presented in the consolidated statement of financial position when both of the following conditions are satisfied: (a) the Group has a legal right to offset the recognised amounts and the legal right is currently enforceable; and (b) the Group intends either to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

Resale agreements

Consideration paid for financial assets purchased under resale agreements are recorded as such in the consolidated statement of financial position.

The difference between purchase and resale price is recognised as interest income in profit or loss over the term of the agreements using the effective interest method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

(All amounts expressed in thousands of RMB unless otherwise stated)

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and equipment

Property and equipment are assets held by the Group for the conduct of business and are expected to be used for more than one year. Construction in progress is the property and equipment under construction, which is transferred to property and equipment when ready for its intended use.

Cost

Property and equipment are initially recognised at cost. The cost of a purchased property and equipment comprises the purchase price, related taxes, and any directly attributable expenditure for bringing the asset to working condition for its intended use. The cost of a self-constructed property and equipment comprises those expenditures necessarily incurred for bringing the asset to working condition for its intended use.

Subsequent costs, including the cost of replacing part of an item of property and equipment, are recognised in the carrying amount of the item if the recognition criteria are satisfied, and the carrying amount of the replaced part is derecognised. Expenditures relating to ordinary maintenance of property and equipment are recognised in profit or loss.

Depreciation and impairment

Depreciation is calculated to write off to the profit or loss the cost of items of property and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives. Impaired property and equipment are depreciated net of accumulated impairment losses. No depreciation is provided on construction in progress.

The estimated useful lives, residual values rates and annual depreciation rates of respective property and equipment are as follows:

Type of assets	Estimated useful lives	Estimated residual value rates	Depreciation rate
Buildings	20 – 40 years	3%	2.43% – 4.85%
Motor vehicles	8 years	3%	12.13%
Equipment	3 – 5 years	3%	19.40% – 32.33%
Furniture and others	5 – 10 years	3%	9.70% – 19.40%

The Group reviews the estimated useful lives and estimated residual values of property and equipment and the depreciation method applied at least once a financial year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts expressed in thousands of RMB unless otherwise stated)

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and equipment (Continued)

Disposal

Gains or losses arising from the retirement or disposal of property and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the property and equipment and are recognised in profit or loss on the date of retirement or disposal.

Intangible assets

The intangible assets acquired separately and with finite useful lives are initially recognised at cost. The cost less estimated residual values, if any, of the intangible assets is amortised on a straight-line basis over their useful lives and charged to the profit or loss. Impaired intangible assets are amortised net of accumulated impairment losses. Intangible assets with finite useful lives of the Group mainly include computer software which is amortised over 5 years.

Foreclosed assets

When the Group's obligor uses foreclosed asset to compensate the principal and interest of loan, foreclosed asset is initially recognised at fair value.

Impairment losses on non-current assets, including property and equipment, right-of-use assets, intangible assets and foreclosed assets

At the end of the reporting period, the Group reviews the carrying amounts of its non-current assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

(All amounts expressed in thousands of RMB unless otherwise stated)

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, considering the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Leasing

Definition of a lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

The Group as lessee

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease, at inception of the contract or modification date. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less from the commencement date and do not contain a purchase option) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Lease liabilities

At the commencement date, the Group measures lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted by using the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liabilities comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts expressed in thousands of RMB unless otherwise stated)

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leasing (Continued)

The Group as lessee (Continued)

Lease liabilities (Continued)

- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

The lease liabilities are presented as a separate line in the consolidated statement of financial position.

The lease liabilities are subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

Right-of-use assets

The Group's right-to-use assets include leased houses and buildings.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line in the consolidated statement of financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

(All amounts expressed in thousands of RMB unless otherwise stated)

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED) (Continued)

Leasing (Continued)

The Group as lessee (Continued)

Right-of-use assets (Continued)

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

The Group as lessor

The Group enters into lease agreements as a lessor with respect to certain premises. Leases for which the Group is a lessor are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

Contingent liabilities

A contingent liability is a present obligation arising from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

Where the Group is jointly and severally liable for an obligation, the part of the obligation that is expected to be met by other parties is treated as a contingent liability and it is not recognised in the consolidated financial statements.

The Group assesses continually to determine whether an outflow of resources embodying economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognised in the consolidated financial statements in the reporting period in which the change in probability occurs, except in the extremely rare circumstances where no reliable estimate can be made.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2021
(All amounts expressed in thousands of RMB unless otherwise stated)*

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Owned investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

If an item of property and equipment and right-of-use assets become an investment property when there is a change in use, as supported by observable evidence, the carrying amount of that item at the date of transfer is the deemed cost for subsequent accounting for that property as an item of investment property.

Segment reporting

The identification of operating segments of the Group is based on internal reports that are regularly reviewed by the Group's chief operating decision makers in order to allocate resources to the segment and assess its performance. The Group has determined the management team represented by the general manager as its chief operating decision maker.

The measurement of segment assets and liabilities, as well as segment revenue, expense and results are based on the Group's accounting policies. There is no difference between the accounting policies used in the preparation of the Group's consolidated financial statements and those used in preparing the operating segment information.

Segment revenue, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

(All amounts expressed in thousands of RMB unless otherwise stated)

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value measurement

When measuring fair value except for the Group's leasing transactions, value in use of property and equipment, right-of-use assets, intangible assets, foreclosed assets and interest in associates for the purpose of impairment assessment, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Specifically, the Group categorised the fair value measurements into three levels, based on the characteristics of inputs, as follow:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

At the end of the reporting period, the Group determines whether transfer occur between levels of the fair value hierarchy for assets and liabilities which are measured at fair value on recurring basis by reviewing their respective fair value measurement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts expressed in thousands of RMB unless otherwise stated)

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company are required to make judgements, estimates and assumptions about the amounts of assets, liabilities, revenue and expenses reported and disclosures made in the consolidated financial statements. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The followings are the critical judgements, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised and disclosures made in the consolidated financial statements.

Determination of control over trust schemes

Where the Company acts as trustee and asset manager of trust schemes it established, the Company makes judgement on whether it is a principal or an agent to assess whether the Company controls the trust schemes and should consolidate them.

The directors of the Company assessed whether the Group has control over the trust schemes based on whether the Group has the practical ability to direct the relevant activities of the trust schemes unilaterally. When performing this assessment, the Company considers several factors including, among other things, the scope of its decision-making authority over the trust schemes, the rights held by other parties, the remuneration to which it is entitled in accordance with the related agreements for the trustee and management services and the Company's exposure to variability of returns from other interests that it holds in the trust schemes. After assessment, the directors of the Group concluded that the Group acts as a principal and controls certain trust schemes and the financial information of such trust schemes were consolidated by the Group in the consolidated financial statements as set out in note 39(b). The Group performs re-assessment when the factors change.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

(All amounts expressed in thousands of RMB unless otherwise stated)

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Critical judgements in applying accounting policies (Continued)

Income taxes

The Group is subject to income taxes and significant judgement is required in determining provision for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Taxation matters are subject to the decision of taxation authorities. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax and deferred tax assets and liabilities in the period in which such determination is made.

Key sources of estimation uncertainty

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Fair value of financial instruments

The Group uses valuation techniques to estimate the fair value of financial instruments which are not quoted in an active market. These valuation techniques include the use of recent transaction prices of the same or similar instruments, and discounted cash flow analysis. To the extent practicable, market observable inputs and data, such as interest rate yield curves, foreign currency rates, share price and index, should be made maximum use of when estimating fair value through a valuation technique. Where market observable inputs are not available, they are estimated using assumptions that are calibrated as closely as possible to market observable data. Changes in assumptions about these factors could affect the estimated fair value of financial instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts expressed in thousands of RMB unless otherwise stated)

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Key sources of estimation uncertainty (Continued)

Fair value of financial instruments (Continued)

The carrying amounts of financial instruments measured at fair value as at 31 December 2021 are RMB3,513,777,000 (2020: RMB3,100,185,000).

Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in note 44(a)(ii), which also sets out key sensitivities of the ECL to changes in these elements.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Choosing appropriate model and assumptions for the measurement of ECL;
- Criteria for determining whether or not there was a significant increase in credit risk, or a default or impairment loss was incurred;
- Economic indicators for forward-looking measurement, and the application of economic scenarios and weightings; and
- The estimated future cash flows for loans to customers in stage 3.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

(All amounts expressed in thousands of RMB unless otherwise stated)

6. TAXATION

The main categories and rates of taxes applicable to the Company are set out below:

Type of tax	Tax rate	Tax base
Enterprise income tax	25%	Taxable income
Value-added tax ("VAT")	3% (note below)	Taxable income generated by trust schemes
	6%	Tax payable is calculated using the taxable income multiplied by the applicable tax rate ("output VAT") less deductible input VAT of current period
Urban maintenance and construction tax	7%	Value-added tax
Educational surcharges	3%	Value-added tax

Note: In accordance with the Notice on Value-Added Tax of Asset Management products (Cai Shui (2017) No. 56) issued by the Ministry of Finance and the State Administration of Taxation, the Company is subject to VAT which is calculated at the rate of 3% of taxable investment income of trust schemes from 1 January 2018.

7. FEE AND COMMISSION INCOME

	2021	2020
Fee and commission income from:		
Trustee's remuneration	829,727	1,152,151
Others	–	268
Total	829,727	1,152,419

8. INTEREST INCOME

	2021	2020
Interest income from:		
Cash and bank balances	6,704	4,131
Loans to customers	519,747	695,899
Financial investments – amortised cost	112	6,226
Financial assets purchased under resale agreements	13,167	6,326
Contribution to Trust Industry Protection Fund (note (i) below)	1,063	4,032
Total	540,793	716,614

Note:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts expressed in thousands of RMB unless otherwise stated)

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

	2021	2020
Net changes in fair value arising from:		
Financial assets at fair value through profit or loss		
– Mutual funds	(153,494)	152,775
– Trust schemes	19,571	(20,971)
– Unlisted companies	(20,648)	20,424
– Listed shares	(23,357)	20,422
– Bonds	44,758	(78,337)
– Other asset management products	5,348	9,782
	(127,822)	104,095
Investments in associates (note 22(c))	(79,071)	22,466
Total	(206,893)	126,561

10. INVESTMENT INCOME

	2021	2020
Dividends income from:		
Financial assets at fair value through profit or loss	59,841	6,768
Net realised gains from disposal of:		
Financial assets at fair value through profit or loss	213,036	139,413
Total	272,877	146,181

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

(All amounts expressed in thousands of RMB unless otherwise stated)

11. NET GAINS ON DISPOSAL OF ASSOCIATES

	2021	2020
Net gains on disposal of associates:		
Tengzhou Haide Park Property Co., Ltd. ("Tengzhou Haide") <i>(note (i) below)</i>	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. ("First-Trust") <i>(note (ii) below)</i>	37,053	–
Heze Jinxin Land Development and Consolidated Co., Ltd.	37,413	–
Shandon LuXin Xinjiu Kinetic Energy Conversion Venture Capital Parent Fund (limited partnership) ("Shandon LuXin Xinjiu")	33	–
Taishan Property & Casualty Insurance Co., Ltd. ("Taishan Property") <i>(note (iii) below)</i>	15,465	–
Sinotruk Auto Finance Co., Ltd. (formerly known as Shandong HOWO Auto Finance Co., Ltd.) ("Sinotruk Auto") <i>(note (iv) below)</i>	1,299	–
Shandong Provincial Financial Asset Management Co., Ltd. ("Shandong AMC") <i>(note (v) below)</i>	–	54,882
Henan Liang Ding Property Co., Ltd.	–	55,038
Total	333,949	109,920

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2021
(All amounts expressed in thousands of RMB unless otherwise stated)*

11. NET GAINS ON DISPOSAL OF ASSOCIATES (CONTINUED)

Notes:

- (i) 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 and loss and other comprehensive income for the year ended 31 December 2021.
- (ii) The Group disposed of all its interest in First-Trust to Lucion Group at a total consideration of RMB133,943,000 (note 41(e)) 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 and loss and other comprehensive income for the year ended 31 December 2021.
- (iii) 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 RMB 15,465,000 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.
- (iv) 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 RMB 1,299,000 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.
- (v) The Group's equity interest in an associate, Shandong AMC was reduced from 7.24% to 1.50% resulting from the contribution of additional share capital to Shandong AMC from other investors for the year ended 31 December 2020 and accordingly, the Group recognised a gain on deemed disposal of an associate and the change of the Group's share of the net assets amounting to RMB54,882,000 which was credited to profit or loss of the Group for the year. Shandong AMC continues to be accounted for as an associate of the Group as the Group has one seat on the board of Shandong AMC. The Group has the power to participate in the significant financial and operating policy decisions of Shandong AMC. During the year ended 31 December 2021, the Group has ceased to have significant influence over Shandong AMC. Detailed are set out in note 22(a)(i).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

(All amounts expressed in thousands of RMB unless otherwise stated)

12. OTHER OPERATING INCOME

	2021	2020
Other operating from:		
Government grants (<i>note (i) below</i>)	2,001	51,360
Other miscellaneous income	6,242	2,575
Total	8,243	53,935

Note:

- (i) Government grants for the years ended 31 December 2021 and 2020 mainly represent the amounts received for rewarding for the Group's contribution to the cluster development of financial institutions.

13. INTEREST EXPENSES

	2021	2020
Interest accrued on borrowings from China Trust Protection Fund Co., Ltd.	80,770	14,017
Interest for placement from banks	–	80
Third-party beneficiaries' interests (<i>note (i) below</i>)	471,180	606,370
Others	146	49
Total	552,096	620,516

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.

14. STAFF COSTS (INCLUDING DIRECTORS AND SUPERVISORS' EMOLUMENTS)

	2021	2020
Salaries and bonuses	105,967	110,642
Pension costs (defined contribution plans)	13,408	7,068
Housing funds	7,089	6,276
Labour union fee and staff education expenses	2,561	2,997
Other social security and benefit costs	15,013	12,271
Total	144,038	139,254

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts expressed in thousands of RMB unless otherwise stated)

15. EMOLUMENTS OF DIRECTORS, SUPERVISORS AND THE FIVE HIGHEST PAID INDIVIDUALS

(a) Details of the directors' and supervisors' emoluments are as follows:

Name	Year ended 31 December 2021				Total
	Fees	Salaries and allowances and benefits	Discretionary bonuses	Contribution to pension schemes	
Executive directors					
Wan Zhong (i), (xiv)	–	510	267	–	777
Yue Zengguang (ii), (iii), (xiv)	–	531	851	–	1,382
Fang Hao (iv), (xiv)	–	918	–	30	948
Non-executive directors (v)					
Xiao Hua (vi), (xv)	–	–	–	–	–
Jin Tongshui (vii), (xv)	–	–	–	–	–
Wang Zengye (viii), (xv)	–	–	–	–	–
Zhao Zikun (ix), (xv)	–	–	–	–	–
Wang Bailing (xv)	–	–	–	–	–
Independent non-executive directors					
Yen Huai-chiang (xv)	100	–	–	–	100
Ding Huiping (xv)	100	–	–	–	100
Meng Rujing (xv)	100	–	–	–	100
Supervisors					
Wu Chen (x)	–	–	–	–	–
Guo Shougui (x)	–	–	–	–	–
Chen Yong (x)	–	–	–	–	–
Hou Zhenkai (x)	–	–	–	–	–
Wang Zhimei (x)	–	–	–	–	–
Tian Zhiguo (x)	–	–	–	–	–
Zuo Hui (xi)	–	463	309	92	864
Zhang Wenbin (xi)	–	433	212	92	737
Wang Yan (xii), (xiii)	20	–	–	–	20
Total	320	2,855	1,639	214	5,028

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

(All amounts expressed in thousands of RMB unless otherwise stated)

15. EMOLUMENTS OF DIRECTORS, SUPERVISORS AND THE FIVE HIGHEST PAID INDIVIDUALS (CONTINUED)

(a) Details of the directors' and supervisors' emoluments are as follows: (Continued)

Name	Year ended 31 December 2020				Total
	Fees	Salaries and allowances and benefits	Discretionary bonuses	Contribution to pension schemes	
Executive directors					
Wan Zhong (i), (xiv)	–	682	1,078	99	1,859
Yue Zengguang (ii), (xiv)	–	537	1,201	99	1,837
Non-executive directors					
(v)					
Xiao Hua (xv)	–	–	–	–	–
Jin Tongshui (xv)	–	–	–	–	–
Wang Bailing (xv)	–	–	–	–	–
Independent non-executive directors					
Yen Huai-chiang (xv)	100	–	–	–	100
Ding Huiping (xv)	100	–	–	–	100
Meng Rujing (xv)	100	–	–	–	100
Supervisors					
Wu Chen (x)	–	–	–	–	–
Guo Shougui (x)	–	–	–	–	–
Chen Yong (x)	–	–	–	–	–
Hou Zhenkai (x)	–	–	–	–	–
Wang Zhimei (x)	–	–	–	–	–
Tian Zhiguo (xi)	–	816	11	52	879
Zuo Hui (xi)	–	379	413	52	844
Zhang Wenbin (xi)	–	384	148	45	577
Total	300	2,798	2,851	347	6,296

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2021
(All amounts expressed in thousands of RMB unless otherwise stated)*

15. EMOLUMENTS OF DIRECTORS, SUPERVISORS AND THE FIVE HIGHEST PAID INDIVIDUALS (CONTINUED)

(a) Details of the directors' and supervisors' emoluments are as follows: (Continued)

- (i) Wan Zhong is chairman of the Company and his emolument disclosed above includes all the emoluments he receives from the Company.
- (ii) Yue Zengguang is also an employee of the Company and his emolument disclosed above includes all the emoluments he receives from the Company.
- (iii) Yue Zengguang resigned from the position of executive director in February 2021 and effective in May 2021.
- (iv) Fang Hao was elected as executive director in March 2021 and effective in May 2021.
- (v) These non-executive directors did not receive any emoluments from the Company.
- (vi) Xiao Hua resigned from the position of non-executive director in June 2021 and effective in November 2021.
- (vii) Jin Tongshui resigned from the position of non-executive director in June 2021 and effective in October 2021.
- (viii) Wang Zengye was elected as non-executive director in June 2021 and effective in November 2021.
- (ix) Zhao Zikun was elected as non-executive director in June 2021 and effective in October 2021.
- (x) The non-employee supervisors did not receive any emoluments from the Company.
- (xi) These supervisors are the employees of the Company and their emoluments disclosed above include all the emoluments they receive from the Company.
- (xii) Wang Yan was elected as supervisor effective in October 2021.
- (xiii) The supervisor is non-employee supervisor and her emolument disclosed above include all emolument from the Company.
- (xiv) The emoluments represent the payments to the directors in respect of their services in connection with management affairs of the Group.
- (xv) The emoluments represent the payments to the directors in respect of their services as directors of the Company.

No directors of the Company waived or agreed to waive any emolument paid by the Group during the years ended 31 December 2021 and 2020.

Discretionary bonus was based on the business performance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

(All amounts expressed in thousands of RMB unless otherwise stated)

15. EMOLUMENTS OF DIRECTORS, SUPERVISORS AND THE FIVE HIGHEST PAID INDIVIDUALS (CONTINUED)

(b) Five highest paid individuals

For the years ended 31 December 2021 and 2020, the five highest paid individuals of the Group do not include any director or supervisor, whose emolument has been disclosed above.

The aggregated emoluments of the five highest paid individuals for the the years ended 31 December 2021 and 2020 are as follows:

	2021	2020
Salaries and allowances and benefits	5,948	8,408
Discretionary bonuses	5,750	12,851
Contribution to pension schemes	735	465
Total	12,433	21,724

The emoluments fell within the following bands:

	No. of individuals	
	2021	2020
RMB 500,001 – RMB 1,000,000	–	–
RMB 1,000,001 – RMB 1,500,000	–	–
RMB 1,500,001 – RMB 2,000,000	3	–
RMB 2,000,001 – RMB 2,500,000	–	1
RMB 2,500,001 – RMB 3,000,000	1	–
RMB 3,000,001 – RMB 3,500,000	–	3
RMB 3,500,001 – RMB 4,000,000	–	–
RMB 4,000,001 – RMB 4,500,000	–	–
RMB 4,500,001 – RMB 5,000,000	1	–
RMB 5,000,001 – RMB 5,500,000	–	–
RMB 5,500,001 – RMB 6,000,000	–	–
Above RMB 6,000,000	–	1
Total	5	5

No emoluments had been paid or payable by the Group to any of the directors, supervisors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the years ended 31 December 2021 and 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts expressed in thousands of RMB unless otherwise stated)

16. IMPAIRMENT LOSSES ON FINANCIAL ASSETS, NET OF REVERSAL

	2021	2020
Loans to customers	650,231	1,075,066
Financial investments – amortised cost	187,471	(95)
Trustee's remuneration receivable	(10,739)	(626)
Others	(3,531)	(15,546)
Total	823,432	1,058,799

17. SHARE OF RESULTS OF INVESTMENTS IN ASSOCIATES ACCOUNTED FOR USING THE EQUITY ACCOUNTING METHOD

	2021	2020
Fullgoal Fund Management Co., Ltd. (note 22(b)(i))	426,487	273,438
Other associates (note 22(b)(ii))	54,837	95,436
Total	481,324	368,874

18. INCOME TAX (CREDIT) EXPENSE

	2021	2020
Current income tax	298,572	190,802
Deferred income tax (note 26)	(301,949)	(85,649)
Total	(3,377)	105,153

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

(All amounts expressed in thousands of RMB unless otherwise stated)

18. INCOME TAX (CREDIT) EXPENSE (CONTINUED)

The actual income tax (credit) expenses (credited) charged 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:

	2021	2020
Profit before income tax	465,142	732,971
Tax calculated at a tax rate of 25%	116,286	183,242
Tax effect arising from income not subject to tax (note (i) below)	(120,388)	(80,079)
Tax effect of expenses that are not deductible for tax purposes	725	1,990
Income tax (credit) expense	(3,377)	105,153

Note:

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

19. 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.

	2021	2020
Net profit attributable to shareholders of the Company	468,519	627,818
Weighted average number of ordinary shares in issue ('000)	4,658,850	4,658,850
Basic earnings per share (RMB yuan)	0.10	0.13

(b) Diluted earnings per share

For the years ended 31 December 2021 and 2020, there were no potential diluted ordinary shares and therefore the diluted earnings per share were the same as the basic earnings per share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts expressed in thousands of RMB unless otherwise stated)

20. PROPERTY AND EQUIPMENT

	Buildings	Motor vehicles	Equipment	Furniture and others	Construction in progress	Total
COST						
At 1 January 2020	138,374	3,632	13,032	3,564	17,317	175,919
Additions	–	–	3,310	421	–	3,731
Transfers	17,317	–	–	–	(17,317)	–
Disposals	–	(176)	(7)	–	–	(183)
At 31 December 2020 and 1 January 2021	155,691	3,456	16,335	3,985	–	179,467
Additions	–	908	6,577	1,047	–	8,532
Disposals	–	(1,550)	(617)	–	–	(2,167)
At 31 December 2021	155,691	2,814	22,295	5,032	–	185,832
ACCUMULATED DEPRECIATION						
At 1 January 2020	36,342	3,264	8,620	1,171	–	49,397
Charge for the year	6,020	155	1,492	444	–	8,111
Disposals	–	(170)	(6)	–	–	(176)
At 31 December 2020 and 1 January 2021	42,362	3,249	10,106	1,615	–	57,332
Charge for the year	6,299	164	1,643	562	–	8,668
Eliminated on disposals	–	(1,504)	(597)	–	–	(2,101)
At 31 December 2021	48,661	1,909	11,152	2,177	–	63,899
NET BOOK VALUES						
At 31 December 2021	107,030	905	11,143	2,855	–	121,933
At 31 December 2020	113,329	207	6,229	2,370	–	122,135

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

(All amounts expressed in thousands of RMB unless otherwise stated)

21. INVESTMENT PROPERTIES

The Group measured investment properties at cost method.

	Building
COST	
At 1 January 2020, 31 December 2020 and 31 December 2021	150,618
ACCUMULATED DEPRECIATION	
At 1 January 2020	1,793
Charge for the year	3,686
At 31 December 2020 and 1 January 2021	5,479
Charge for the year	3,765
At 31 December 2021	9,244
NET BOOK VALUES	
At 31 December 2021	141,374
At 31 December 2020	145,139

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts expressed in thousands of RMB unless otherwise stated)

22. INVESTMENTS IN ASSOCIATES

(a) The amounts recognised in the consolidated balance sheet are as follows:

	2021	2020
Associates of the Company, measured at equity accounting method:		
Fullgoal Fund Management Co., Ltd. <i>(note (b)(i) below)</i>	1,174,603	869,824
Taishan Property & Casualty Insurance Co., Ltd. <i>(note (b)(ii) below)</i>	199,435	215,101
Sintruk Auto Finance Co., Ltd. (formerly known as Shandong HOWO Auto Finance Co., Ltd.) <i>(note (b)(ii) below)</i>	209,241	207,775
Shandong LuXin Xinjiu Kinetic Energy Conversion Venture Capital Parent Fund (limited partnership) ("Shandong LuXin") <i>(note (a)(i)), (b)(ii) below)</i>	–	148,739
Dezhou Bank Co., Ltd. <i>(note (b)(ii) below)</i>	119,333	110,344
First-Trust Fund Management Co., Ltd. <i>(note (b)(ii) below, note 11(ii))</i>	–	52,410
Tailong Health Industry Investment Company Limited ("Tailong") <i>(note (a)(i)), (b)(ii) below)</i>	–	35,626
Anhui Luxin Equity Investment Fund Management Co., Ltd. <i>(note (b)(ii) below)</i>	3,090	2,884
Gross amount	1,705,702	1,642,703
Less: Impairment	–	–
Subtotal	1,705,702	1,642,703
Associates indirectly held by the Group through consolidated structured entities, measured at equity accounting method:		
Shandong AMC <i>(note (a)(i)), (b)(ii) below)</i>	–	674,489
Others <i>(note (b)(ii) below)</i>	19,284	71,859
Gross amount	19,284	746,348
Less: Impairment	(2,000)	(10,000)
Subtotal	17,284	736,348

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

(All amounts expressed in thousands of RMB unless otherwise stated)

22. INVESTMENTS IN ASSOCIATES (CONTINUED)

- (a) The amounts recognised in the consolidated balance sheet are as follows:
(Continued)

	2021	2020
Associates indirectly held by the Group through consolidated structured entities, measured at fair value		
Tengzhou Haide Park Property Co., Ltd.	–	151,210
Huizhou Zhengfeng Industrial Investment Co., Ltd.	–	120,000
Cangzhou Liangsheng Property Co., Ltd.	–	111,088
Nanyang Liangheng Real Estate Co., Ltd.	88,849	82,320
Tianjin Liangxin Property Development Co., Ltd.	–	89,047
Huangshi Liangsheng Real Estate Development Co., Ltd.	116,238	94,179
Tianjin Liangshun Property Development Co., Ltd.	–	70,496
Nanyang Zhongliang Chengtong Real Estate Co., Ltd.	63,059	49,315
Ankang Liangsheng Jiye Property Co., Ltd.	36,424	37,840
Yunan Hongshan City Investment Co., Ltd.	27,928	30,000
Weifang Hengru Real Estate Co., Ltd.	16,820	15,000
Shenzhen Qianhai Run Xin Investment Co., Ltd.	–	13,234
Subtotal	349,318	863,729
Total	2,072,304	3,242,780

Note:

- (i) During the year ended 31 December 2021, the Group ceased to have significant influence over Shandong LuXin, Tailong and Shandong AMC as a result of loss of representation by the Group in the board of directors of Shandong LuXin, Tailong and Shandong AMC. Hence, the investments in Shandong LuXin, Tailong and Shandong AMC at the date when significant influence is lost was recognised at fair value and this amount was regarded as fair value on initial recognition of financial assets at FVTPL.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts expressed in thousands of RMB unless otherwise stated)

22. INVESTMENTS IN ASSOCIATES (CONTINUED)

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

Set out below is the significant associate of the Group as at 31 December 2021 and 2020 which, in the opinion of the directors, is material to the Group. The country of incorporation or registration is also their principal place of business.

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

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

(i) Summarised financial information for the significant associate – Fullgoal Fund Management Co., Ltd.

Summarised statement of financial position

	2021	2020
Current assets	11,343,261	8,025,531
Non-current assets	1,277,681	719,150
Total assets	12,620,942	8,744,681
Current liabilities	(3,916,118)	(2,570,149)
Non-current liabilities	(1,660,728)	(958,198)
Total liabilities	(5,576,846)	(3,528,347)
Net assets	7,044,096	5,216,334

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

(All amounts expressed in thousands of RMB unless otherwise stated)

22. INVESTMENTS IN ASSOCIATES (CONTINUED)

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

(i) Summarised financial information for significant associate – Fullgoal Fund Management Co., Ltd. (Continued)

Summarised statement of profit or loss and other comprehensive income

	2021	2020
Revenue	8,306,072	5,283,733
Profit for the year	2,557,644	1,639,806
Other comprehensive expense	(7,882)	(8,835)
Total comprehensive income	2,549,762	1,630,971
Dividends received from associate	120,394	60,197

Summarised financial statements

	2021	2020
Net assets at the beginning of the year	5,216,334	3,946,363
Profit for the year	2,557,644	1,639,806
Dividend distribution	(722,000)	(361,000)
Other comprehensive expense	(7,882)	(8,835)
Net assets at the end of the year	7,044,096	5,216,334
Percentage of the Group's interest in the associate	16.675%	16.675%
Carrying amount of the Group's interest in the associate	1,174,603	869,824

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts expressed in thousands of RMB unless otherwise stated)

22. INVESTMENTS IN ASSOCIATES (CONTINUED) (Continued)

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

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

	2021	2020
Carrying amount at the beginning of the year	1,509,227	1,365,481
Acquisition during the year	65,233	89,200
Disposal during the year	(1,096,895)	(70,600)
Share of results for the year	54,837	95,436
Other comprehensive income (expense) for the year	8,889	(5,397)
Cash dividend received	(9,705)	(19,775)
Others (note (i) below)	16,797	54,882
Carrying amount at the end of the year	548,383	1,509,227

Note:

- (i) The amount mainly reflected the changes of the Group's share of net assets of certain associates regarding to the contribution of additional share capital to these associates from other investors.

(c) Investments in associates, measured at fair value

The Group holds investments in those associates indirectly through consolidated structure entities, which are measured at fair value.

	2021	2020
Carrying amount at the beginning of the year	863,729	752,808
Acquisition during the year	–	175,955
Disposal during the year	(435,340)	(87,500)
Net changes in fair value (note 9)	(79,071)	22,466
Carrying amount at the end of the year	349,318	863,729

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

(All amounts expressed in thousands of RMB unless otherwise stated)

23. LOANS TO CUSTOMERS

(a) Analysis of loans to customers:

	2021	2020
Corporate loans – at amortised cost	11,400,623	14,232,249
Including: Issued by the Company	2,000,000	993,950
Issued by consolidated structured entities	9,400,623	13,238,299
Interest receivable	193,609	72,446
Loans to customers, gross	11,594,232	14,304,695
Less: ECL allowance - Loans	(2,057,573)	(1,555,395)
ECL allowance - Interest receivable	(149,779)	(1,726)
Loans to customers, net	9,386,880	12,747,574
Presented as:		
Non-current assets	8,214,294	9,641,926
Current assets	1,172,586	3,105,648
Loans to customers, net	9,386,880	12,747,574

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts expressed in thousands of RMB unless otherwise stated)

23. LOANS TO CUSTOMERS (CONTINUED)

(b) Movement of corporate loans

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

	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2020	7,463,694	–	1,563,486	9,027,180
Additions (note (i) below)	2,465,450	60,000	7,000,000	9,525,450
Repayments	(3,060,044)	–	(163,238)	(3,223,282)
Disposals (note (ii) below)	–	(275,200)	(821,899)	(1,097,099)
Transfers:	(1,354,150)	275,200	1,078,950	–
<i>Transfer from Stage 1 to Stage 2</i>	<i>(275,200)</i>	<i>275,200</i>	<i>–</i>	<i>–</i>
<i>Transfer from Stage 1 to Stage 3</i>	<i>(1,078,950)</i>	<i>–</i>	<i>1,078,950</i>	<i>–</i>
Balance as at 31 December 2020	5,514,950	60,000	8,657,299	14,232,249

Notes:

- (i) During the year ended 31 December 2021, the addition of stage 3 corporate loans was a result of the Group acquired the rights of certain loans from trust schemes. During the year ended 31 December 2020, the addition of stage 3 corporate loans was a result of the Group's consolidation of a trust scheme.
- (ii) In December 2020, the Group disposed of certain impaired loans with the principal amount of RMB757,948,000, for which 100% ECL allowance had been provided, to Shandong AMC at a total consideration of zero (Note 41(e)). The Group de-recognised these loans and reversed the corresponding impairment upon disposal of such impaired loans. The Group did not recognise any gain or loss during the year ended 31 December 2020 (2021: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

(All amounts expressed in thousands of RMB unless otherwise stated)

23. LOANS TO CUSTOMERS (CONTINUED)

(c) Movements of ECL allowance – Loans

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

	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
Balance as at 1 January 2020	192,591	–	1,083,537	1,276,128
Provision for impairment	27,607	21,466	1,161,000	1,210,073
Reversal of impairment allowances	(74,665)	–	(78,366)	(153,031)
Disposals	–	(26,492)	(769,052)	(795,544)
Transfers:	(32,182)	6,663	25,519	–
<i>Transfer from Stage 1 to Stage 2</i>	(6,663)	6,663	–	–
<i>Transfer from Stage 1 to Stage 3</i>	(25,519)	–	25,519	–
EAD, PD and LGD changes <i>(note (i) below)</i>	17,769	–	–	17,769
Balance as at 31 December 2020	131,120	1,637	1,422,638	1,555,395

Note:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts expressed in thousands of RMB unless otherwise stated)

24. FINANCIAL INVESTMENTS – AMORTISED COST

(a) Analysis of financial investments – amortised cost:

	2021	2020
Financial investments – amortised cost, gross	1,090,714	65,897
Less: ECL allowance – Financial investments – amortised cost	(203,080)	(15,609)
Financial investments – amortised cost, net	887,634	50,288

At 31 December 2021, the Group's financial investments – amortised cost includes an amount of RMB63,235,000 (2020: RMB50,288,000) relating to the unconsolidated structured entities managed and invested by the Group (Note 39(a)(iii)).

(b) Movement of principals

	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2021	51,600	–	14,297	65,897
Additions (note (i) below)	–	–	1,076,417	1,076,417
Repayments	(51,600)	–	–	(51,600)
Balance as at 31 December 2021	–	–	1,090,714	1,090,714

	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2020	79,000	–	14,297	93,297
Additions	51,600	1,000,000	–	1,051,600
Repayments	(79,000)	(1,000,000)	–	(1,079,000)
Balance as at 31 December 2020	51,600	–	14,297	65,897

Note:

- (i) During the year ended 31 December 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

(All amounts expressed in thousands of RMB unless otherwise stated)

24. FINANCIAL INVESTMENTS – AMORTISED COST (CONTINUED)

(c) Movements of ECL allowance

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Balance as at 1 January 2021	1,312	–	14,297	15,609
Provision for impairment	–	–	188,783	188,783
Reversal of impairment allowances	(1,312)	–	–	(1,312)
Balance as at 31 December 2021	–	–	203,080	203,080

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Balance as at 1 January 2020	1,359	–	14,297	15,656
Provision for impairment	1,312	34,461	–	35,773
Reversal of impairment allowances	(1,359)	(34,461)	–	(35,820)
Balance as at 31 December 2020	1,312	–	14,297	15,609

25. ADVANCE PAYMENTS

	2021	2020
Prepayment for intangible assets	15,434	17,266
Others	7,000	2,831
Total	22,434	20,097
Presented as:		
Non-current assets	15,434	20,097
Current assets	7,000	–
	22,434	20,097

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts expressed in thousands of RMB unless otherwise stated)

26. DEFERRED INCOME TAX ASSETS AND LIABILITIES

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

(All amounts expressed in thousands of RMB unless otherwise stated)

26. DEFERRED INCOME TAX ASSETS AND LIABILITIES (CONTINUED)

	At 1 January 2020	Charged to profit or loss	At 31 December 2020
Deferred income tax assets:			
Impairment allowances for assets	271,766	146,119	417,885
Staff salaries and welfare payables	27,715	(207)	27,508
Fair value changes of financial assets at fair value through profit or loss	–	7,630	7,630
Sub-total	299,481	153,542	453,023
Deferred income tax liabilities:			
Fair value changes of financial assets at fair value through profit or loss	(52,751)	(54,551)	(107,302)
Others	(16,620)	(13,342)	(29,962)
Sub-total	(69,371)	(67,893)	(137,264)
Net deferred income tax assets	230,110	85,649	315,759

27. OTHER NON-CURRENT ASSETS

	2021	2020
Investment in artwork, net	9,402	9,402
Investment in artwork, gross	46,740	46,740
Less: Impairment allowance	(37,338)	(37,338)
Contribution to Trust Industry Protection Fund on behalf of trust schemes (note (i) below)	8,929	179,530
Total	18,331	188,932

Note:

- (i) The amount represents the subscription of contribution to the Trust Industry Protection Fund in connection with financing trust schemes. For detailed requirements of Trust Industry Protection Fund, please refer to note 29.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts expressed in thousands of RMB unless otherwise stated)

28. CASH AND BANK BALANCES

(a) Cash and bank balances

	2021	2020
Cash at banks	286,920	317,728
Other monetary assets	1,299,676	651,807
Total	1,586,596	969,535

Other monetary assets represent cash deposited in securities company.

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

	2021	2020
Cash at banks	286,920	317,728
Other monetary assets	1,299,676	651,807
Total	1,586,596	969,535

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

(All amounts expressed in thousands of RMB unless otherwise stated)

29. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021	2020
Equity investments		
Listed shares	7,809	90,395
Unlisted entities	1,213,665	289,680
Asset management products (note 39(a)(iii) and note (i) below)	194,741	107,077
Mutual funds (note 39(a)(iii))	1,032,197	618,447
Bonds	388,825	886,168
Investments in trust schemes (note 39(a)(iii))	213,994	129,436
Investments in Trust Industry Protection Fund (note 39(a)(iii) and note (ii) below)	113,228	115,253
Total	3,164,459	2,236,456
Presented as:		
Non-current assets	1,427,659	679,519
Current assets	1,736,800	1,556,937
Financial assets at fair value through profit or loss, net	3,164,459	2,236,456

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 CBRC 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 CBRC 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts expressed in thousands of RMB unless otherwise stated)

30. FINANCIAL ASSETS PURCHASED UNDER RESALE AGREEMENTS

	2021	2020
Government bonds	697,607	107,147

31. OTHER CURRENT ASSETS

	2021	2020
Contribution to Trust Industry Protection Fund on behalf of trust schemes (note (i) below)	2,709	109,887
Prepaid income tax	–	53,280
Receivable from the court (note 40(b))	13,174	69,377
Amount due from an immediate holding company (note 41(f))	1,214	–
Others, net	91,744	125,208
Others, gross	107,383	144,378
Less: ECL allowance	(15,639)	(19,170)
Total	108,841	357,752

Note:

- (i) The amount represents the subscription of contribution to the Trust Industry Protection Fund in connection with financing trust schemes. For detailed requirements of Trust Industry Protection Fund, please refer to note 29.

32. 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:

	2021	2020
Number of shares authorised and issued ('000)	4,658,850	4,658,850
Share capital	4,658,850	4,658,850

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

(All amounts expressed in thousands of RMB unless otherwise stated)

32. SHARE CAPITAL AND CAPITAL RESERVE (CONTINUED)

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 of 31 December 2021, the Group's capital reserve is shown as follows:

	2021	2020
Share premium	122,797	122,797
Others	20,488	20,488
Total	143,285	143,285

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

33. STATUTORY SURPLUS RESERVE AND STATUTORY GENERAL RESERVE

	Statutory surplus reserve (note (i) below)	Statutory general reserve (note (ii) below)
Balance at 1 January 2020	845,282	834,036
Appropriation from retained earnings	58,659	58,659
Balance at 31 December 2020 and 1 January 2021	903,941	892,695
Appropriation from retained earnings	48,373	248,373
Balance at 31 December 2021	952,314	1,141,068

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts expressed in thousands of RMB unless otherwise stated)

33. STATUTORY SURPLUS RESERVE AND STATUTORY GENERAL RESERVE (CONTINUED)

Note:

(i) Statutory surplus reserve

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

(ii) Statutory general reserve

General risk reserve

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

Trust compensation reserve

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

34. OTHER RESERVES

	Pre-tax amount	Tax charge	Net of tax
Balance at 1 January 2020	(865)	–	(865)
Share of other comprehensive expense of investments in associates accounted for using the equity accounting method	(6,870)	–	(6,870)
Balance at 31 December 2020 and 1 January 2021	(7,735)	–	(7,735)
Share of other comprehensive income of investments in associates accounted for using the equity accounting method	7,575	–	7,575
Balance at 31 December 2021	(160)	–	(160)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

(All amounts expressed in thousands of RMB unless otherwise stated)

35. DIVIDENDS

	2021	2020
Dividend declared during the year	–	256,237

No dividend was paid or proposed during the year ended 31 December 2021, nor has any dividend been proposed since the end of the reporting period (2020: RMB0.055 before tax per ordinary share).

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.

36. NET ASSETS ATTRIBUTABLE TO OTHER BENEFICIARIES OF CONSOLIDATED STRUCTURED ENTITIES

	2021	2020
Net assets attributable to other beneficiaries of consolidated structured entities	5,284,975	9,459,757
Presented as:		
Non-current liabilities	567,839	1,417,461
Current liabilities	4,717,136	8,042,296
	5,284,975	9,459,757

The amount represents other beneficiaries' share of "net assets of the Company's consolidated structured entities". For detail information of consolidated structured entities, please refer to note 39 (b).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts expressed in thousands of RMB unless otherwise stated)

37. SHORT-TERM BORROWINGS

	2021	2020
Borrowings from China Trust Protection Fund Co., Ltd.	1,604,227	100,000

38. OTHER CURRENT LIABILITIES

	2021	2020
Payable to National Council for Social Security Fund <i>(note (i) below)</i>	227,452	227,452
Pre-distribution from investments in associates	174,842	280,950
Placement from borrowers <i>(note (ii) below)</i>	194,022	196,042
VAT and surtax payable for trust schemes <i>(note (iii) below)</i>	46,342	77,125
Other tax payable	5,623	32,869
Deferred trustee's remuneration fee income	30,792	13,918
Payable to unconsolidated structured entities managed by the Group <i>(note (iv) below)</i>	596,349	–
Others	19,538	9,825
Total	1,294,960	838,181

Notes:

- (i) The amounts represent proceeds from disposal of the Company's shares attributable to National Council for Social Security Funds upon Initial Public Offering ("IPO").
- (ii) The amounts represent the subscription amounts collected by the Group from the borrowers of its financing trust schemes, which will then be contributed to the Trust Industry Protection Fund on behalf of such borrowers.
- (iii) In accordance with the Notice on Value-Added Tax of Asset Management products (Cai Shui (2017) No. 56) issued by the Ministry of Finance and the State Administration of Taxation, the Company is subject to VAT which is calculated at the rate of 3% of taxable investment income of trust schemes from 1 January 2018.
- (iv) The amounts represent proceeds from disposal of assets of the unconsolidated structured entities managed by the Group, which will then be distributed to that unconsolidated structured entities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

(All amounts expressed in thousands of RMB unless otherwise stated)

39. STRUCTURED ENTITIES

Analysis of total volumes of trust schemes managed and/or invested by the Group as below:

	2021 RMB' million	2020 RMB' million
Unconsolidated structured entities managed and invested by the Group (note (a)(ii) below)	1,771	2,916
Unconsolidated structured entities managed by the Group	142,626	228,854
Unconsolidated trust schemes established and managed by the Group (note (a)(i) below)	144,397	231,770
Consolidated trust schemes by the Group (note (b) below)	12,053	16,927

(a) Structured entities that are not consolidated

(i) Unconsolidated structured entities managed by the Group

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

As at 31 December 2021, the volume of unconsolidated trust schemes established and managed by the Group amounted to RMB144,397 million (31 December 2020: RMB 231,770 million). The Group's maximum exposure to these unconsolidated structured entities in which the trustee's remuneration receivables amounted to RMB200,148,000 at 31 December 2021 (31 December 2020: RMB 165,875,000). The Group invests in some of these structured entities, which are recognised as financial assets at fair value through profit or loss or debt instrument investments at amortised cost.

(ii) Unconsolidated structured entities invested by the Group

As at 31 December 2021 and 2020, the Group invested in a number of structured entities managed by third parties. These investments in unconsolidated structured entities are classified as financial assets at fair value through profit or loss. The Group did not provide financial or other support to these structured entities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts expressed in thousands of RMB unless otherwise stated)

39. STRUCTURED ENTITIES (CONTINUED)

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

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

	Notes	Carrying value	Maximum exposure to loss	Total volume of structured entities
At 31 December 2021				
Unconsolidated structured entities managed and invested by the Group				
- Financial assets at fair value through profit or loss	29	213,994	213,994	1,565,185
- Financial investments - amortised cost	24	63,235	63,235	205,688
		277,229		
Unconsolidated structured entities managed by the third parties				
- Mutual funds	29	936,750	936,750	Note (i) below
- Asset management products	29	194,741	194,741	Note (i) below
- Investments in Trust Industry Protection Fund	29	104,500	104,500	Note (i) below
		1,235,991		
At 31 December 2020				
Unconsolidated structured entities managed and invested by the Group				
- Financial assets at fair value through profit or loss	29	129,436	129,436	2,418,972
- Financial investments - amortised cost	24	50,288	50,288	497,300
		179,724		
Unconsolidated structured entities managed by the third parties				
- Mutual funds	29	618,447	618,447	Note (i) below
- Asset management products	29	107,077	107,077	Note (i) below
- Investments in Trust Industry Protection Fund	29	115,253	115,253	Note (i) below
		840,777		

Note:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

(All amounts expressed in thousands of RMB unless otherwise stated)

39. STRUCTURED ENTITIES (CONTINUED)

(b) Consolidated structured entities

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

At 31 December 2021, the numbers of consolidated trust schemes established and managed by the Company were 32 (31 December 2020: 50) and the total volume of consolidated trust schemes amounted to RMB 12,053 million (31 December 2020: RMB16,927 million).

For trust schemes that may not be able to realise payments from underlying investments in accordance with the due date set out in the original contract (the "Distressed trusts"), the Group ordinarily has the discretion to provide liquidity or other support, after evaluating various factors including the potential reputational implications to the Group, relationships with investors, as well as the likelihood of ultimately recovering payments from the underlying assets of the trust schemes. As soon a Distressed trust meets the criteria of a consolidated structured entity, it will be consolidated by the Group. As at 31 December 2021, total assets of such Distressed trusts amounted to RMB7,586 million (31 December 2020: RMB7,624 million), and impairment allowances of RMB1,535 million have been made (31 December 2020: RMB1,304 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts expressed in thousands of RMB unless otherwise stated)

40. CREDIT COMMITMENTS, OTHER COMMITMENTS AND CONTINGENT LIABILITIES

(a) Capital commitments

	2021	2019
Contracted but not yet incurred	2,520	11,814

These capital commitments mainly relate to purchase of intangible assets.

(b) Legal proceedings

The Group believes the possibility of the loss of legal proceedings that remained outstanding as at 31 December 2021, which the Group was an interested party, was low. Therefore, no provision was required.

In 2020, the Company was sued by Qixing Group Co., Ltd. ("Qixing Group") and Shandong Qixing Real Estate Company ("Shandong Qixing"). According to the first and second instance judgments by Zouping People's Court ("Zouping Court") and Binzhou Intermediate People's Court ("Binzhou Intermediate Court"), the Company should pay Shandong Qixing and Qixing Group with an amount totalling RMB167.82 million and related interest. The Company filed a lawsuit with Shandong Province Higher People's Court ("Shandong Higher Court") on 28 October 2020, requested to revoke the above judgments of Zouping Court and Binzhou Intermediate Court, to amend the judgment in accordance with the law, and to dismiss all claims of Qixing Group and Shandong Qixing or sent back for retrial. Shandong Higher Court ruled on 18 December 2020, 11 January 2021 and 23 November 2021, that the evidence found by Zouping Court and Binzhou Intermediate Court was insufficient and their applied law was incorrect. The above-mentioned cases are now sent back for retrial under Zouping Court by the Shandong Higher Court. The execution of the original judgments is suspended during the retrial.

As at 31 December 2021, Zouping court has deducted RMB 13.17 million (2020: RMB69.38 million) from the Company's bank account.

Based on the above facts and relevant legal provisions, the Company believes that the claims of Shandong Qixing and Qixing group have no facts and legal basis and should be rejected in accordance with the law. Therefore, the Company has not accrued the estimated liabilities for the case. For the above transferred funds by Zouping court, the Company accounts as other receivables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

(All amounts expressed in thousands of RMB unless otherwise stated)

41. RELATED PARTY TRANSACTIONS

The Company is controlled by Lucion Group, which aggregately owns 52.96% of the shares of the Company at 31 December 2021. Lucion Group is further controlled by Shandong Provincial Department of Finance. In addition, CNPC Assets Management Co., Ltd. (“CNPC AMC”), holds 18.75% of the Company’s shares and has significant influence over the Company.

The Company’s directors were of the view that Lucion Group, CNPC AMC and their subsidiaries were considered as related parties of the Group. Certain trust schemes were also considered as related parties of the Group. Transactions with key management personnel have been disclosed in note 41(d) below. The Group’s transaction with related parties are conducted under the ordinary course of business.

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

During the the years ended 31 December 2021 and 2020, certain trust schemes were considered to be related parties if they are either controlled by the Group or its Parent (“Lucion Group”).

	2021	2020
Number of trust schemes controlled by the Group (note 39(b))	32	50
Number of trust schemes controlled by Lucion Group (excluding those controlled by the Group)	14	18

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

	2021	2020
Total entrusted assets of trust schemes controlled by Lucion Group	4,154,059	8,861,650

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

	2021	2020
Fee and commission income	22,492	47,191

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts expressed in thousands of RMB unless otherwise stated)

41. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Related parties as trustors of trust schemes

During the years ended 31 December 2021 and 2020, Lucion Group and its subsidiaries, joint ventures and associates have acted as the trustors of certain trust schemes established and managed by the Group.

(i) Related parties as trustors of consolidated trust schemes

Related parties' interests in these consolidated trust schemes are reported as other liabilities in the Group's consolidated statements of financial position (note 36).

	2021	2020
Number of trust schemes where the related parties act as trustors	1	7
Interests of related parties in these consolidated trust schemes	(10,054)	(917)

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

	2021	2020
Interest expense	–	186
Net changes in fair value on financial assets at fair value through profit or loss and investments in associates measured at fair value	(599)	2,570

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

(All amounts expressed in thousands of RMB unless otherwise stated)

41. RELATED PARTY TRANSACTIONS (CONTINUED)

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

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

	2021	2020
Number of unconsolidated trust schemes where related parties acts as trustors	22	45
Assets entrusted by related parties	3,557,059	5,829,933
Total entrusted assets of these unconsolidated trust schemes	8,299,659	10,437,566

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

	2021	2020
Fee and commission income	30,055	68,205

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts expressed in thousands of RMB unless otherwise stated)

41. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Related parties financed by trust schemes

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

	2021	2020
Number of unconsolidated trust schemes which provide financing to related parties	13	5
Amount financed	1,999,670	813,800
Total entrusted assets of these unconsolidated trust schemes	2,095,169	813,800

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

	2021	2020
Fee and commission income	18,055	5,041

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

	2021	2020
Number of consolidated trust schemes which provide financing to related parties	2	5
Amount financed	177,865	784,445
Total entrusted assets of these consolidated trust schemes	198,445	784,445

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

(All amounts expressed in thousands of RMB unless otherwise stated)

41. RELATED PARTY TRANSACTIONS (CONTINUED)

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

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

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

	2021	2020
Interest income	6,390	61,798

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

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

(i) Key management compensation

The compensation paid to key management personnel is shown below:

	2021	2020
Salaries and allowances	6,028	4,349
Discretionary bonuses	7,595	14,522
Pension	965	731
Other social security obligations	564	462
	15,152	20,064

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts expressed in thousands of RMB unless otherwise stated)

41. RELATED PARTY TRANSACTIONS (CONTINUED)

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

(i) Key management compensation (Continued)

The compensation payable to key management personnel is shown below:

	2021	2020
Discretionary bonuses payable	7,595	14,522

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

	2021	2020
Key management's personal investments in trust schemes	1,911	23,969
Total entrusted assets of these trust schemes	412,018	188,672

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

	2021	2020
Fee and commission income	1,355	940

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

(All amounts expressed in thousands of RMB unless otherwise stated)

41. RELATED PARTY TRANSACTIONS (CONTINUED)

(e) Other related parties' transactions

Significant transactions with related parties

During the the years ended 31 December 2021 and 2020, the Group had the following significant transactions with related parties:

	2021	2020
Loans sold to Shandong AMC by the Group (note 23(b)(ii))	–	–
Advertising costs paid to Shandong Luxin Advertisement Co., Ltd.	1,038	4,243
Merchandise expenses paid to Shandong Lu Xin Film Co., Ltd.	39	50
System maintenance expenses paid to Luxin Technology Co., Ltd.	7,481	7,481
Purchase of equipment and software from Luxin Technology Co., Ltd.	–	152
Rental costs paid to Anhui Lu Xin Investment Co., Ltd.	116	122
Welfare fee paid to Jinan Luxin Asset Management Co., Ltd.	2,312	530
Welfare fee paid to Luxin Hengsheng Property Management Co., Ltd.	234	–
Guarantee fee paid to Lucion Group	6,786	–
Equity interests in an associate sold to Lucion Group by the Group (note 11(ii))	133,943	–

(f) Related parties' balances

During the the year ended 31 December 2021 and 2020, the Group had the following significant outstanding balances with related party:

	2021	2020
Prepaid guarantee fee to Lucion Group	1,214	–

(g) The Group and other government related entities

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts expressed in thousands of RMB unless otherwise stated)

42. SEGMENT ANALYSIS

(a) Operating segments

	Year ended 31 December 2021			
	Proprietary business	Trust business	Unallocated	Total
Fee and commission income	–	829,727	–	829,727
Interest income	539,708	1,085	–	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	(206,893)	–	–	(206,893)
Investment income	272,877	–	–	272,877
Net gains on disposal of associate	333,949	–	–	333,949
Other operating income	8,243	–	–	8,243
Total operating income	947,884	830,812	–	1,778,696
Interest expenses	(552,096)	–	–	(552,096)
Staff costs (including directors and supervisors' emoluments)	(6,513)	(137,525)	–	(144,038)
Depreciation and amortisation	(1,440)	(15,050)	–	(16,490)
Change in net assets attributable to other beneficiaries of consolidated structured entities	(151,455)	–	–	(151,455)
Tax and surcharges	(1,452)	(11,249)	–	(12,701)
Administrative expenses	(8,145)	(85,106)	–	(93,251)
Auditor's remuneration	(1,415)	–	–	(1,415)
Impairment losses on financial assets, net of reversal	(823,432)	–	–	(823,432)
Total operating expenses	(1,545,948)	(248,930)	–	(1,794,878)
Share of results from investments in associates accounted for using the equity accounting method	481,324	–	–	481,324
(Loss) profit before income tax	(116,740)	581,882	–	465,142
	31 December 2021			
	Proprietary business	Trust business	Unallocated	Total
Segment assets	17,800,323	1,122,514	139,710	19,062,547
Segment liabilities	8,186,157	205,634	19,538	8,411,329

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts expressed in thousands of RMB unless otherwise stated)

43. FINANCIAL STATEMENT OF THE COMPANY

(a) Statement of Financial Position of the Company

	2021	2020
ASSETS		
Non-current assets		
Property and equipment	121,933	122,135
Right-of-use assets	17,490	680
Intangible assets	24,318	13,672
Investments in associates	1,705,702	1,642,703
Investments in consolidated structured entities	4,817,676	5,132,481
Financial assets at fair value through profit or loss	753,565	597,193
Loans to customers	1,687,504	–
Financial investments-amortised cost	887,634	–
Advance payments	15,434	20,097
Deferred income tax assets	642,602	345,721
Other non-current assets	8,929	179,530
Total non-current assets	10,682,787	8,054,212
Current assets		
Cash and bank balances	1,376,927	698,849
Financial assets at fair value through profit or loss	1,243,799	708,843
Financial assets purchased under resale agreements	668,807	31,450
Loans to customers	–	993,950
Advance payments	7,000	–
Trustee's remuneration receivable	243,543	189,033
Other current assets	48,475	298,194
Total current assets	3,588,551	2,920,319
Total assets	14,271,338	10,974,531

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

(All amounts expressed in thousands of RMB unless otherwise stated)

43. FINANCIAL STATEMENT OF THE COMPANY (CONTINUED)

(a) Statement of Financial Position of the Company (Continued)

	2021	2020
Equity and liabilities		
Share capital	4,658,850	4,658,850
Capital reserve	143,285	143,285
Statutory surplus reserve	952,314	903,941
Statutory general reserve	1,141,068	892,695
Other reserves	(160)	(7,735)
Retained earnings	3,681,180	3,494,201
Total equity	10,576,537	10,085,237
Liabilities		
Non-current liabilities		
Salary and welfare payable	21,551	24,157
Lease liabilities	9,038	122
Total non-current liabilities	30,589	24,279
Current liabilities		
Short-term borrowings	1,604,227	100,000
Lease liabilities	6,385	573
Salary and welfare payable	94,450	85,876
Income tax payable	99,756	-
Other current liabilities	1,859,394	678,566
Total current liabilities	3,664,212	865,015
Total liabilities	3,694,801	889,294
Net current (liabilities) assets	(75,661)	2,055,304
Total equity and liabilities	14,271,338	10,974,531

The statement of financial position of the Company was approved and authorised for issue by the Board of Directors on 30 March 2022 and are signed on its behalf by:

Chairman and Executive Director

General manager and Executive Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts expressed in thousands of RMB unless otherwise stated)

43. FINANCIAL STATEMENT OF THE COMPANY (CONTINUED)

(b) Statement of Changes in Equity of the Company

	Share capital	Capital reserve	Statutory surplus reserve	Statutory general reserve	Other reserves	Retained earnings	Total
Balance at 1 January 2021	4,658,850	143,285	903,941	892,695	(7,735)	3,494,201	10,085,237
Net profit for the year	-	-	-	-	-	483,725	483,725
Other comprehensive income for the year	-	-	-	-	7,575	-	7,575
Total comprehensive income	-	-	-	-	7,575	483,725	491,300
Appropriation to statutory surplus reserve	-	-	48,373	-	-	(48,373)	-
Appropriation to statutory general reserve	-	-	-	248,373	-	(248,373)	-
Balance at 31 December 2021	4,658,850	143,285	952,314	1,141,068	(160)	3,681,180	10,576,537
Balance at 1 January 2020	4,658,850	143,285	845,282	834,036	(865)	3,281,165	9,761,753
Net profit for the year	-	-	-	-	-	586,591	586,591
Other comprehensive expense for the year	-	-	-	-	(6,870)	-	(6,870)
Total comprehensive (expense) income	-	-	-	-	(6,870)	586,591	579,721
Appropriation to statutory surplus reserve	-	-	58,659	-	-	(58,659)	-
Appropriation to statutory general reserve	-	-	-	58,659	-	(58,659)	-
Dividends paid (note 35)	-	-	-	-	-	(256,237)	(256,237)
Balance at 31 December 2020	4,658,850	143,285	903,941	892,695	(7,735)	3,494,201	10,085,237

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

(All amounts expressed in thousands of RMB unless otherwise stated)

44. FINANCIAL RISK MANAGEMENT

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts expressed in thousands of RMB unless otherwise stated)

44. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk

(i) Credit risk measurement

Credit risk refers to the risk that the clients or counterparties fail to fulfil contractual obligations. The Group's credit risk mainly arises from its trust business and proprietary business.

The credit risk of the Group's trust business mainly refers to the risk that the Group, as the trustee, fails to receive its due remuneration which is agreed in the trust contract with the trustors. Pursuant to the terms of trust contract, as long as the Group fulfill its duties stated in trust contract in its capacity as trustee, it is entitled to receive the remuneration specified in the trust contract. The Group has the priority over the trust beneficiaries to receive a fixed remuneration from the trust scheme's assets, which is the major source of the Company's income from the trust business. The Group's trustee remuneration receivables are included in the "trustee's remuneration receivable" in the consolidated statement of financial position.

Some of the Group's trust schemes are financing trust schemes. Under such schemes, the failure of fulfilling the repayment obligations by the ultimate borrowers will negatively affect the Group's entitlement to receive its fixed and floating remuneration as stated in the trust contract. The Group assesses and manages the borrower's default risk of its financing trust scheme through initial due diligence, approval, and monitoring over the borrowers pursuant to the trust contract. The measures taken by the Group to mitigate the default risk by borrower include mainly obtaining third party guarantee and collateral as credit enhancements. In many cases where such default by borrower arises, the Group is also required by trust contract to act on the best interests of the beneficiaries by taking necessary resolution and disposition measures to minimise the loss of trust assets. However, the Group does not guarantee fixed return or compensate any investment loss to the beneficiaries of the trust, and the PRC laws and regulations also prohibit the Group from doing so. The Group has no contractual obligation to provide liquidity or other support to any trust that may not be able to collect all payments from the counterparty according to its contract before the trust expiration date (the "troubled trusts"). The Group has its discretion to use its own funds to provide liquidity or other support, after evaluating the likelihood of ultimate repayments from borrowers or other sources and considering other factors such as potential reputational damage to the Company. As a result of liquidity support provided by the Group, the financing trust schemes are consolidated and the underlying loans of the financing trust schemes are consolidated in the "Loans to customers" in the Group's consolidated statement of financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

(All amounts expressed in thousands of RMB unless otherwise stated)

44. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

(i) Credit risk measurement (Continued)

The Group's proprietary business mainly includes the Group's own debt and equity investments. The management formulates its annual investment plan which consists of concentration limit for each type of investment and such annual plan shall be approved by the Board of Directors. According to such plan, the Group invests in certain trust schemes established and managed by itself, listed or unlisted equity securities, mutual funds, loans and other asset management plans. For investments in its own trust schemes, the Group assesses the significance of its variable returns from its involvement in these plans and determined whether these trust schemes need to be consolidated or not. The underlying assets of consolidated trust schemes are reported in the same balance sheet line items as the Company's own assets.

The estimation of credit exposure for risk management purposes requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Group measures ECL under IFRS 9 using PD, EAD and LGD. Refer to note 44(a)(ii) for more details.

(ii) ECL measurement

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Group.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit impaired. Please refer to note 44(a)(ii)(A) for a description of how the Group determines when a significant increase in credit risk has occurred.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'. Please refer to note 44(a)(ii)(B) for a description of how the Group defines credit-impaired and default.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on ECL on a lifetime basis. Please refer to note 44(a)(ii)(C) for a description of inputs, assumptions and estimation techniques used in measuring the ECL.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts expressed in thousands of RMB unless otherwise stated)

44. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

(ii) ECL measurement (Continued)

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarised below: (Continued)

- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information. Note 44(a)(ii)(D) includes an explanation of how the Group has incorporated this in its ECL models.
- Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3).

The impairment requirement under IFRS 9 (other than purchased or originated credit-impaired assets):

- Stage 1 (initial recognition): 12-month ECL;
- Stage 2 (significant increase in credit risk since initial recognition): lifetime ECL;
- Stage 3 (credit-impaired assets): lifetime ECL.

The key judgements and assumptions adopted by the Group in addressing the requirements of the standard are discussed below:

(A) Significant increase in credit risk (SICR)

The Group considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met:

Quantitative criteria:

The borrower is more than 30 days past due on its contractual payments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

(All amounts expressed in thousands of RMB unless otherwise stated)

44. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

(ii) ECL measurement (Continued)

(A) Significant increase in credit risk (SICR) (Continued)

Qualitative criteria

If the borrower is on the watchlist and/or the instrument meets one or more of the following criteria:

- Significant adverse changes in business, financial and/or economic conditions in which the borrower operates
- Actual or expected forbearance or restructuring
- Actual or expected significant adverse change in operating results of the borrower

The criteria used to identify SICR are monitored and reviewed periodically for appropriateness by the independent Credit Risk team.

(B) Definition of default and credit-impaired assets

The Group defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

Quantitative criteria

The borrower is more than 90 days past due on its contractual payments.

Qualitative criteria

The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:

- The borrower is deceased
- The borrower has severe financial difficulties or insolvency
- It is becoming probable that the borrower will enter into bankruptcy
- Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts expressed in thousands of RMB unless otherwise stated)

44. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

(ii) ECL measurement (Continued)

(B) Definition of default and credit-impaired assets (Continued)

Qualitative criteria (Continued)

The criteria above have been applied to all financial instruments held by the Group and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the PD, EAD and LGD throughout the Group's expected loss calculations.

An instrument is considered to no longer be in default (i.e. to have cured) when it no longer meets any of the default criteria for a consecutive period of six months. This period of six months has been determined based on an analysis which considers the likelihood of a financial instrument returning to default status after cure using different possible cure definitions.

(C) Measuring ECL – Explanation of inputs, assumptions and estimation techniques

The ECL is measured on either a 12-month (12M) or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. ECL are the discounted product of the PD, EAD, and LGD, defined as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation (as per "Definition of default and credit-impaired" above), either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.
- EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD).
- LGD represents the Group's expectation of the extent of loss on a defaulted exposure. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD).

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

(All amounts expressed in thousands of RMB unless otherwise stated)

44. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

(ii) ECL measurement (Continued)

(C) Measuring ECL – Explanation of inputs, assumptions and estimation techniques (Continued)

The Lifetime PD is developed by applying a maturity profile to the current 12M PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. This is supported by historical analysis.

The 12-month and lifetime EADs are determined based on the expected payment profile.

The lifetime LGDs are determined based on the factors which impact the recoveries made post default and historic experiences.

Forward-looking economic information is also included in determining the 12-month and lifetime PD. Refer to note 44(a)(ii)(D) for an explanation of forward-looking information and its inclusion in ECL calculations.

There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

(D) Forward-looking information incorporated in the ECL models

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts expressed in thousands of RMB unless otherwise stated)

44. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

(ii) ECL measurement (Continued)

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

The Group provides three possible scenarios along with scenario weightings to ensure non-linearities are captured. The number of scenarios and their attributes are reassessed at each reporting date. At 31 December 2021 and 31 December 2020, for all portfolios, the Group concluded that three scenarios appropriately captured non-linearities. The scenario weightings are determined by a combination of statistical analysis and expert credit judgement, taking account of the range of possible outcomes each chosen scenario is representative of. These probability weighted ECLs are determined by running each scenario through the relevant ECL model and multiplying it by the appropriate scenario weighting (as opposed to weighting the inputs).

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

Economic variable assumptions

The most significant period-end assumptions used for the ECL estimate as at 31 December 2021 and 31 December 2020 are set out below. The scenarios "base", "upside" and "downside" were used for all portfolios. The weightings assigned to each economic scenario at 31 December 2021 were 50%, 20%, 30% respectively (31 December 2020: same).

Item	Range (during 2021)	Range (during 2020)
Business climate index	103.19~137.69	105.74~135.35
Real estate climate index	92.43~105.37	94.20~104.53

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

(All amounts expressed in thousands of RMB unless otherwise stated)

44. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

(ii) ECL measurement (Continued)

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

Sensitivity analysis

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

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

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

	31 December 2021	31 December 2020
ECL weighted exposure	2,260,653	1,571,004
Base scenario	2,234,510	1,531,499
Upside scenario	2,308,042	1,711,008
Downside scenario	2,201,249	1,460,947

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts expressed in thousands of RMB unless otherwise stated)

44. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

(iii) Credit risk exposure

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

(All amounts expressed in thousands of RMB unless otherwise stated)

44. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

(iii) Credit risk exposure (Continued)

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

	31 December 2020		
	Gross carrying amount	Loss allowance	Carrying amount
Cash and bank balances (Stage 1)	969,535	–	969,535
Financial assets purchased under resale agreements (Stage 1)	107,147	–	107,147
Loans to customers (including interest receivable)	14,304,695	(1,557,121)	12,747,574
Stage 1	5,587,176	(132,840)	5,454,336
Stage 2	60,220	(1,643)	58,577
Stage 3	8,657,299	(1,422,638)	7,234,661
Financial investments -amortised cost (including interest receivable)	65,897	(15,609)	50,288
Stage 1	51,600	(1,312)	50,288
Stage 2	–	–	–
Stage 3	14,297	(14,297)	–
Other financial assets -amortised cost	590,806	(35,117)	555,689
Stage 1	548,974	(3,993)	544,981
Stage 2	11,008	(300)	10,708
Stage 3	30,824	(30,824)	–
Total	16,038,080	(1,607,847)	14,430,233

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts expressed in thousands of RMB unless otherwise stated)

44. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

(iii) Credit risk exposure (Continued)

(B) Loans to customers that are impaired

The gross amount, ECL and fair value of collateral held are as follows:

	2021	2020
Corporate loans to customers	9,939,023	8,657,299
Less: ECL	(2,135,933)	(1,422,638)
Net	7,803,090	7,234,661
Fair value of collateral		
Corporate loans to customers	7,926,054	7,282,401

The fair value of collateral is estimated based on the latest external valuations available and adjusted by the experience of realisation of the collateral in current market conditions.

(b) Market risk

(i) Overview

The Group takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. It mainly represents volatility risk arising from price risk and interest rates risk.

(ii) Price risk

Certain financial assets such as financial assets at FVTPL and investments in associates are measured at fair values at the end of each reporting periods. The Group is exposed to price risks that may cause losses to the Group as a result of changes in market prices.

The price risk of these financial assets may arise due to change in market price. This change may result from by the factors relating to the financial instruments itself or the issuer, and it may also result from by market factors.

The Group's policy is to manage price risk through diversification and selection of securities and other financial instruments within specified limits set by the Board of Directors.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

(All amounts expressed in thousands of RMB unless otherwise stated)

44. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Market risk (Continued)

(ii) Price risk (Continued)

The following tables illustrate the potential impact of an increase or decrease of 1 percent in price of financial assets at fair value through profit or loss and investment in associates measured at fair value on the Group's net profit and equity.

Net profit

	2021	2020
+1 percent	26,353	23,251
-1 percent	(26,353)	(23,251)

Equity

	2021	2020
+1 percent	26,353	23,251
-1 percent	(26,353)	(23,251)

(c) Interest rate risk

Interest rate risk refers to the possibility that the Group's financial position and cash flow fluctuates due to changes in market interest rate. The changes in market interest rate may lead to increase or decrease in interest income of the Group, which will impact the amount of total profit and shareholders' equity. The Group's interest rate risk management is mainly focused on cash flow interest rate risk management.

As at 31 December 2021, the main interest-bearing assets held by the Group include cash and cash equivalents, loan to customers and financial assets held under reverse repurchase agreements which accounts 61.23% of total assets of the Group (31 December 2020: 66.84%). The majority financial assets mentioned above are fixed rate assets.

As at 31 December 2021, the Company's main interest bearing liability includes short-term borrowings from China Trust Protection Fund Co., Ltd. of RMB1,604 million, which amounted to 19.07% of total liabilities of the Group (31 December 2020: RMB100 million, which amounted to 0.95% of total liabilities of the Group).

The Group also invests in certain financing trust schemes established and managed by itself. The underlying assets of these financing trust schemes are mainly loans to customers which are priced at fixed rate through their maturities. The investors of these trust schemes including the Company are entitled to an investment return at an expected but not guaranteed fixed rate throughout the whole investment period. The Group is not subject to significant risk from the volatility of market interest rate or changes in benchmark interest rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2021
(All amounts expressed in thousands of RMB unless otherwise stated)*

44. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Foreign exchange risk

The Group's business is mainly operated in the PRC and settled in RMB. As at 31 December 2021, all proceeds from issuance of H shares were settled to the Company's domestic accounts, which was not expected to have a material impact on foreign exchange risk of the Group.

(e) Liquidity risk

Liquidity risk is the risk that the Group may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

The Group forecasts its cash flows and monitors the short-term and long-term capital need to ensure it has sufficient cash reserve and securities that are readily convertible to cash. The Group holds sufficient unrestricted cash at bank to satisfy the capital need for the daily operations. As at 31 December 2021, the Group has a short-term borrowing from China Trust Protection Fund Co., Ltd. amounting to RMB1,604 million as disclosed in note 37 (31 December 2020: RMB100 million).

The majority of the Group's financial liabilities on the consolidated statement of financial position are amount attributable to other beneficiaries of the trusts as a result of consolidating these trusts by the Group. Management is of the view that the Group is not subject to significant liquidity risk given the financial support provided by Lucion Group (note 2(b)).

(f) Capital management

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

The Company prudently determines the objectives of net capital and risk-based capital management which meet the regulatory requirements and are in line with its own risk exposure. Generally, the measures of capital management 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 CBRC. Effective from 20 August 2010, the Company started to implement the CBRC's regulation of "Measures for the Administration of Net Capital of Trust Companies" which was issued on the same day. Pursuant to this regulation, a trust company shall maintain its net capital at a level of no less than RMB200 million, the ratio of net capital to total risk-based capital at no less than 100%, and the ratio of net capital to net asset at no less than 40%. The Company reports the required capital information to the CBIRC on a quarterly basis. Total risk-based capital is defined as the sum of (i) risk-based capital of our proprietary business; (ii) risk-based capital of our trust business, and (iii) risk-based capital of our other business, if any. The risk-based capital is calculated by applying a risk factor which ranges from 0% to 50% for proprietary business, and 0.1% to 9.0% for trust business.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

(All amounts expressed in thousands of RMB unless otherwise stated)

44. FINANCIAL RISK MANAGEMENT (CONTINUED)

(g) Fair values of financial assets and liabilities

(i) Fair value hierarchy

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

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

(ii) Financial instruments not measured at fair value

Financial assets and liabilities in the statement of financial position which are not measured at fair value mainly include: cash and bank balance, financial assets purchased under resale agreements, loans to customers, financial investments-amortised cost, other assets, short-term borrowings, net assets attributable to other beneficiaries of consolidated structured entities, and other payables. As of 31 December 2021 and 2020, their fair value approximate carrying amounts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts expressed in thousands of RMB unless otherwise stated)

44. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

(iii) Financial instruments measured at fair value

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

31 December 2020	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
- Equity investments				
- Listed shares	90,395	-	-	90,395
- Unlisted shares	-	-	289,680	289,680
- Bonds	-	886,168	-	886,168
- Asset management products	-	-	107,077	107,077
- Mutual funds	618,447	-	-	618,447
- Investments in trust schemes	-	-	129,436	129,436
- Investments in Trust Industry Protection Fund	-	-	115,253	115,253
	708,842	886,168	641,446	2,236,456
Investments in associates	-	-	863,729	863,729
Total	708,842	886,168	1,505,175	3,100,185

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

(All amounts expressed in thousands of RMB unless otherwise stated)

44. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

(iii) *Financial instruments measured at fair value*

During the the years ended 31 December 2021 and 2020, the Group did not reclassify the financial instruments among different levels.

(A) *Financial instruments in Level 1*

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

(B) *Financial instruments in Level 2*

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021
(All amounts expressed in thousands of RMB unless otherwise stated)

44. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

(iii) Financial instruments measured at fair value (Continued)

(C) Financial instruments in Level 3

	Financial assets at fair value through profit or loss	Investments in associates	Total
1 January 2021	641,446	863,729	1,505,175
Acquisitions	1,163,869	–	1,163,869
Disposals	(52,630)	(687,026)	(730,656)
(Losses) gains recognised in profit or loss	(17,057)	163,615	146,558
31 December 2021	1,735,628	349,318	2,084,946
Unrealised gains recognised in profit or loss attributable to balances held at the end of the year	4,271	40,664	44,935

	Financial assets at fair value through profit or loss	Investments in associates	Total
1 January 2020	912,970	752,808	1,665,778
Acquisitions	97,787	175,955	273,742
Disposals	(428,044)	(142,538)	(570,582)
Gains recognised in profit or loss	58,733	77,504	136,237
31 December 2020	641,446	863,729	1,505,175
Unrealised gains recognised in profit or loss attributable to balances held at the end of the year	9,235	22,466	31,701

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

(All amounts expressed in thousands of RMB unless otherwise stated)

44. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

(iii) Financial instruments measured at fair value (Continued)

(C) Financial instruments in Level 3 (Continued)

The following table summarises the quantitative inputs and assumptions used for financial instruments in level 3. The disclosure below excludes financial instruments for which fair value is based on unobservable inputs not developed by the Group.

Description	Fair value at 31 December 2021	Valuation technique(s)	Unobservable input	Range
Financial assets at fair value through profit or loss				
– Equity investments	183,336	Market comparable company model	P/B multiple (ii) Discount for lack of marketability (i)	1.42 27%
– Investments in trust schemes	43,701	Discounted cash flow	Discount rate	15%–19%
Investments in associates				
– Investments in associates	349,318	Discounted cash flow	Discount rate	18%–34%
	Fair value at 31 December 2020			
Financial assets at fair value through profit or loss				
– Equity investments	191,342	Market com-parable com-pany model	P/B multiple (ii) Discount for lack of marketability (i)	1.20 26%
	4,146	Discounted cash flow	Discount rate	20%–43%
Investments in associates				
– Investments in associates	863,729	Discounted cash flow	Discount rate	18%–34%

(i) Represents amounts used when the Group has determined that market participants take into account these discounts when pricing the investments.

(ii) Represents amounts used when the Group has determined that market participants would use such multiples when pricing the investments.

As at 31 December 2021, the remaining investments categorised in Level 3 with fair value of RMB1,508,591,000 (31 December 2020: RMB430,888,000) were valued based on unobservable inputs such as net assets value of investment product.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2021
(All amounts expressed in thousands of RMB unless otherwise stated)*

45. MAJOR NON-CASH TRANSACTIONS

- (a) During the year ended 31 December 2021, the Group transferred the investments in associates of Shandong LuXin, Tailong and Shandong AMC amounted to RMB937,669,000 at the date when significant influence is lost.
- (b) During the year ended 31 December 2021, the Group entered into new arrangements in respect of office premises. Right-of-use assets and lease liabilities of which RMB 13,011,000 were recognised at the commencement of the leases.

46. EVENT AFTER THE REPORTING PERIOD

In March 2022, the Company intends to dispose of 16.675% equity interests in Fullgoal Fund Management Co., Ltd. and all the debts under certain collective fund trust scheme by the means of public listing for transfer in Shandong Financial Assets Trade Center Co., Ltd.. Details are set out in the Company's announcement on 30 March 2022.

ADDITIONAL INFORMATION DISCLOSURE REQUIRED BY CBIRC

DISCLOSURE OF INFORMATION ON SUBSTANTIAL SHAREHOLDERS REQUIRED BY CBIRC

“Substantial Shareholders” mentioned in this section are Shareholders who hold or control more than 5% of the Shares or voting rights of the Company or who hold less than 5% of the total capital or total share capital but have a material impact on the operation and management of the Company. “Material Impact” means, including but not limited to the nomination of Directors, Supervisors or senior management of the Company, affecting the decision-making of finance, operation and management of the Company by way of agreements or other ways, and other circumstances recognised by the CBIRC or its designated authorities. “Acting in concert” refers to an act or a fact that an investor and other investors jointly enlarge the number of the shares with voting rights in a certain company by way of agreements or other arrangements. The investors who agree to act in concert are parties acting in concert. “Ultimate beneficiary” refers to the parties who actually hold the equity income of the Company.

Lucion Group

Lucion Group, established in the PRC in January 2002, is owned as to 90.39% by Shandong Provincial Finance Bureau and as to 9.61% by Shandong Caixin Assets Operation Co., Ltd. as at the date of this annual report, respectively. Its legal representative is Li Wei. It has a registered capital of RMB30.6 billion, and its registered address is No. 166 Jiefang Road, Lixia District, Jinan, Shandong Province, the PRC. Lucion Group is an investment holding company whose business scope involve financial asset investment and management, venture capital, new energy and new materials, modern marine, printing investment, oil and gas and other investment and operation businesses.

As at the end of the Reporting Period, the controlling shareholder of Lucion Group was Shandong Province Finance Bureau, and the de facto controller thereof was the People’s Government of Shandong Province. Lucion Group was acting in concert with Shandong High-Tech. The ultimate beneficiary of Lucion Group was the company itself. Lucion Group has reported its related parties to the Company in accordance with regulatory provisions.

At the end of the Reporting Period, Lucion Group directly held 2,242,202,580 Domestic Shares of the Company and owned 225,000,000 Domestic Shares of the Company indirectly through its controlled company, holding 2,467,202,580 Shares in total, representing 52.96% of the total share capital of the Company. Mr. Wan Zhong, Mr. Zhao Zikun, Directors of the Company, and Mr. Hou Zhenkai, a Supervisor of the Company, were nominated by Lucion Group.

ADDITIONAL INFORMATION DISCLOSURE REQUIRED BY CBIRC

CNPC Assets Management

CNPC Assets Management was established in the PRC in April 2000 as a wholly-owned subsidiary of CNPC Capital Company Limited. CNPC Capital Company Limited is a wholly-owned subsidiary of CNPC Capital Company Limited By Shares, which is an A share listed company whose controlling shareholder is China National Petroleum Corporation (中國石油天然氣集團有限公司). China National Petroleum Corporation is the largest oil and gas producer and supplier in the PRC and a limited liability company (wholly state-owned). Its legal representative is Wang Zengye, with a registered capital of RMB13,725,180,496.26, and its registered address is No. 9 Beidajie Street, Dongzhimen, Dongcheng District, Beijing, the PRC. CNPC Assets Management is principally engaged in investment and asset management.

As at the end of the Reporting Period, the controlling shareholder of CNPC Assets Management was CNPC Capital Company Limited, and the de facto controller thereof was China National Petroleum Corporation. CNPC Assets Management did not have any party acting in concert or any acting-in-concert arrangement with any entity or individual. The ultimate beneficiary of CNPC Assets Management was the company itself. CNPC Assets Management has reported its related parties to the Company in accordance with regulatory provisions.

At the end of the Reporting Period, CNPC Assets Management held 873,528,750 domestic Shares in the Company, representing 18.75% of the total share capital of the Company. Mr. Wang Zengye, a Director of the Company, and Mr. Chen Yong, a Supervisor of the Company, were nominated by CNPC Assets Management. During the Reporting Period, no other additional Directors or Supervisors were nominated by CNPC Assets Management.

Jinan Finance Holding

Jinan Finance Holding, established in May 2013, is a municipal first class enterprise and a liability state-owned company as approved to be established by Jinan Municipal Party Committee and State-owned Assets Supervision and Administration Commission of Jinan Municipal People's Government. It is wholly-owned by Jinan Finance Bureau. Its legal representative is Wang Yuzhu, its registered capital is RMB885,5.1084 million, and its registered address is 11/F, Building No. 2, Zhongrun Century Center, No. 12111 Jingshi Road, Lixia District, Jinan, Shandong Province, the PRC. Jinan Finance Holding is principally engaged in asset investment, consulting, management and operation of state-owned assets as authorised by the government, capital operation and assets management, etc..

As at the end of the Reporting Period, the controlling shareholder and the de facto controller of Jinan Finance Holding was Jinan SASAC and it did not have any party acting in concert or any acting-in-concert arrangement with any entity or individual. The ultimate beneficiary of Jinan Finance Holding was the company itself. Jinan Finance Holding has reported its related parties to the Company in accordance with regulatory provisions. Since 14 February 2022, Jinan Finance Holding has been directly held by Jinan Finance Bureau.

At the end of the Reporting Period, Jinan Finance Holding held 252,765,000 H Shares of the Company, representing 5.43% of the total share capital of the Company. Wang Bailing, Director of the Company, was nominated by Jinan Finance Holding. During the Reporting Period, no other directors and supervisors was nominated by Jinan Finance Holding.

ADDITIONAL INFORMATION DISCLOSURE REQUIRED BY CBIRC

Shandong High-Tech Venture Capital Co., Ltd.

Shandong High-Tech, established in the PRC in June 2000, is wholly-owned and established by Lucion Venture Capital, a subsidiary of Lucion Group. The legal representative is Chen Lei, and the registered capital is RMB1,165.72 million. The registered address is No. 166 Jiefang Road, Jinan Municipal. It is mainly engaged in entrepreneurship investment.

As at the end of the Reporting Period, the controlling shareholder and the party acting in concert of Shandong High-Tech were Lucion Group, and the de facto controller thereof was the People's Government of Shandong Province. The ultimate beneficiary of Shandong High-Tech was the company itself. Shandong High-Tech has reported its related parties to the Company in accordance with regulatory provisions.

As at the end of the Reporting Period, Shandong High-Tech held 225,000,000 Domestic Shares of the Company, representing 4.83% of the total share capital of the Company. Guo Shougui, a Supervisor of the Company, was nominated by Shandong High-Tech. During the Reporting Period, no other additional Directors or Supervisors were nominated by Shandong High-Tech.

Shandong Gold Group Co., Ltd.

Shandong Gold Group Co., Ltd., established in the PRC in July 1996, is a state-owned enterprise held by Stateowned Assets Supervision and Administration Commission of Jinan Municipal People's Government, Shandong Caixin Assets Operation Co., Ltd. and Shandong Guohui Investment Holding Group Co., Ltd.. The legal representative is Man Shengang, and the registered capital is RMB1,319.1456 million. The registered address is No. 2503, Jingshi Road, Liyu District, Jinan, Shandong Province, PRC. It is mainly engaged in gold geological exploration and exploitation; purification, processing, production and sale of gold and jewellery; gold selection and refinement and technical service.

As at the end of the Reporting Period, the controlling shareholder and de facto controller of Shandong Gold Group Co., Ltd. were Shandong SASAC, and Shandong Gold Group Co., Ltd. did not have any party acting in concert or any acting-in-concert arrangement with any entity or individual. The ultimate beneficiary of Shandong Gold Group Co., Ltd. Was the company itself. Shandong Gold Group Co., Ltd. has reported its related parties to the Company in accordance with regulatory provisions.

As at the end of the Reporting Period, Shandong Gold Group Co., Ltd. held 80,073,468 Domestic Shares of the Company, representing 1.72% of the total share capital of the Company. Wu Chen, a Supervisor of the Company, was nominated by Shandong Gold Group Co., Ltd. During the Reporting Period, no other additional Directors or Supervisors were nominated by Shandong Gold Group Co., Ltd..

ADDITIONAL INFORMATION DISCLOSURE REQUIRED BY CBIRC

Weifang Investment Group Co., Ltd.

Weifang Investment Group Co., Ltd., established in the PRC in August 1992, is a state-owned enterprise held by State-owned Assets Supervision and Administration Commission of Weifang Municipal and Shandong Caixin Assets Operation Co., Ltd.. The legal representative is Zhang Liangfu, and the registered capital is RMB3 billion. The registered address is 16-18/F of Investment Building, No. 6222 Dongfeng East Street, High-tech Development Zone, Weifang. It is principally engaged in investment and asset management of various industries with the enterprise's own funds including energy, infrastructure, high-tech and manufacturing.

As at the end of the Reporting Period, the controlling shareholder and de facto controller of Weifang Investment Group Co., Ltd. were the State-owned Assets Supervision and Administration Commission of Weifang Municipal. Weifang Investment Group Co., Ltd. did not have any party acting in concert or any acting-in-concert arrangement with any entity or individual. The ultimate beneficiary of Weifang Investment Group Co., Ltd. was the company itself. Weifang Investment Group Co., Ltd. has reported its related parties to the Company in accordance with regulatory provisions.

At the end of the Reporting Period, Weifang Investment Co., Ltd. held 60,055,101 Domestic Shares of the Company, representing 1.29% of the total share capital of the Company. Wang Zhimei, a Supervisor of the Company, was nominated by Weifang Investment Group Co., Ltd. During the Reporting Period, no other additional Directors or Supervisors were nominated by Weifang Investment Co., Ltd..

TABLE OF USE AND DISTRIBUTION OF TRUST ASSETS

As at 31 December 2021

Unit: RMB0'000

Use of assets	Amount	Distribution of		Amount	Portion (%)
		Portion (%)	assets		
Currency assets	263,011.57	1.55%	Basic industry	721,410.35	4.26%
Loans	2,599,881.19	15.35%	Housing properties	3,385,697.99	19.98%
Tradable financial assets investment	3,640,822.70	21.49%	Securities market	5,115,611.68	30.19%
Available-for-sale financial assets investment	1,215.38	0.01%	Industry	4,663,781.68	27.53%
Held-to-maturity investment	6,704,694.56	39.57%	Financial institutions	2,024,028.98	11.95%
Long-term equity interest investment	297,240.51	1.75%	Others	1,031,492.30	6.09%
Others	3,435,157.07	20.28%	-	-	-
Total trust assets	16,942,002.98	100.00%	Total trust assets	16,942,022.98	100.00%

ADDITIONAL INFORMATION DISCLOSURE REQUIRED BY CBIRC

COMBINED BALANCE SHEET OF TRUST PROJECTS

Prepared by: Shandong International Trust Co., Ltd.

31 December 2021

Unit: RMB0'000

Assets	Ending balance	Opening balance	Liabilities and equity	Ending balance	Opening balance
Assets:			Liabilities:		
Cash and bank deposits	196,391.88	347,262.53	Financial liabilities held for trading	-	-
Placement to banks and other financial institutions	-	-	Derivative financial liabilities	-	-
Clearing settlement funds	66,619.69	23,474.04	Disposal of repurchased financial assets	620,966.68	376,021.34
Financial assets held for trading	3,640,822.70	2,479,757.76	Account payable	0.04	0.04
Derivative financial assets	-	-	Redemption payables	342.68	29,803.62
Financial assets purchased under agreements to resell	54,063.56	18,379.70	Trustee's remuneration payable	16,434.55	16,512.62
Account receivables	-	-	Beneficiaries' gains payable	19,627.65	27,708.59
Interest receivables	112,022.05	137,626.55	Custodian fees payable	985.80	1,159.59
Dividend receivables	3,968.40	8,985.00	Service fees for sales payable	3.53	1.56
Note receivables	-	-	Tax payable	6,445.05	8,497.45
Application payment receivables	-	-	Interests payable	273.21	211.51
Other receivables	81,172.36	262,674.33	Other payables	102,872.11	119,192.58
Refundable deposits	-	-	Other liabilities	2,042.18	3,561.82
Loans to customers	2,599,881.19	6,196,849.70	Total liabilities	769,993.48	582,670.72
Long-term receivables	478,670.00	510,949.09			
Available-for-sale financial assets	1,215.38	6,090.72	Equity:		
Held-to-maturity investments	6,704,694.56	10,952,212.75	Paid-up trusts	15,645,035.13	24,869,730.03
Long-term equity investments	297,240.51	1,233,297.86	Capital reserves	81,006.10	117,256.38
Investment properties	-	-	Equalisation	-	-
Finance leasing assets	-	-	Undistributed profit	445,988.27	443,134.37
Fixed assets	-	-	Total equity	16,172,029.50	25,430,120.78
Disposal of fixed assets	-	-			
Intangible assets	-	-			
Long-term amortisation expenses	-	-			
Other assets	2,705,260.70	3,835,231.47			
Total trust assets	16,942,022.98	26,012,791.50			
Less: provision for impairment of various assets	-	-			
Total assets	16,942,022.98	26,012,791.50	Total liabilities and equity	16,942,022.98	26,012,791.50

ADDITIONAL INFORMATION DISCLOSURE REQUIRED BY CBIRC

COMBINED STATEMENT FOR INCOME AND INCOME DISTRIBUTION OF TRUST BUSINESS

Prepared by: Shandong International Trust Co., Ltd.

Year of 2021

Unit: RMB0'000

Item	Aggregate for last year	Aggregate for this year
I. Revenue	1,701,300.75	1,205,220.51
Interest income	689,829.64	605,247.57
Investment income (losses indicated in "-")	972,268.72	578,786.21
Including: Income from investment in associates and joint ventures	-	-
Gains from change in fair value (losses indicated in "-")	39,177.00	(874.92)
Lease income	-	-
Exchange gains and losses (losses indicated in "-")	-	-
Other income	25.39	22,061.65
II. Expenses	273,288.29	180,273.40
Tax and surcharges	5,450.48	3,960.97
Trustees' remuneration	126,578.96	94,146.58
Custodian fees	8,850.94	7,863.97
Service fees for sale	-	1.97
Transaction costs	3,536.82	4,419.48
Interest expenses	-	-
Asset impairment losses	-	-
Other expenses	128,871.09	69,880.44
III. Net profit (net losses indicated in "-")	1,428,012.46	1,024,947.11
IV. Other comprehensive income	36,486.57	54,687.58
V. Comprehensive income	1,464,499.03	1,079,634.69
VI. Undistributed profit at the beginning of the period	327,577.60	443,134.37
VII. Distributed trust profit for the period	1,348,942.26	1,076,780.79
VIII. Undistributed profit at the end of the period	443,134.37	445,988.27

ADDITIONAL INFORMATION DISCLOSURE REQUIRED BY CBIRC

MANAGEMENT OF TRUST ASSETS

Amount of trust assets at the beginning of the period and at the end of the period (by individual, collective and property right)

Unit: RMB0'000

Trust scheme	Amount at the beginning of the period	Amount at the end of the period
Collective	8,559,205.24	6,688,124.79
Individual	13,467,499.39	7,473,754.46
Property right	3,986,086.87	2,780,143.73
Total	26,012,791.50	16,942,022.98

Amount of paid-up trusts at the beginning of the period and at the end of the period (by financing, investment and administrative)

Unit: RMB0'000

Trust scheme	Amount at the beginning of the period	Amount at the end of the period
Financing	7,011,666.58	4,998,145.25
Investment	1,986,510.22	2,813,917.23
Administrative	15,871,553.23	7,832,972.65
Total	24,869,730.03	15,645,035.13

ADDITIONAL INFORMATION DISCLOSURE REQUIRED BY CBIRC

Collective and individual fund trust schemes and property right fund trust schemes which have been settled for the year

Unit: RMB0'000

Types of settled trust scheme	Number of scheme	Total amount of paid-up trust	Weighted average actual annualised yield rate
Collective	120	4,974,694.80	6.57%
Individual	182	6,053,379.98	6.17%
Property right	29	3,090,763.60	1.61%

Note: Weighted average actual annualised yield= (actual annualised yield of trust scheme 1 × total asset of trust scheme 1 + actual annualised yield of trust scheme 2 × total asset of trust scheme 2 + ... actual annualised yield of trust scheme n × total asset of trust scheme n)/(total asset of trust scheme 1 + total asset of trust scheme 2 + ... total asset of trust scheme n) × 100%

Financing, investment, and administrative management trusts scheme settled this year

Unit: RMB0'000

Types of settled trust scheme	Number of scheme	Total amount of paid-up trust	Weighted average actual annualised return rate	Weighted average actual annualised yield rate
Financing	103	4,036,595.23	1.31%	7.33%
Investment	34	209,010.44	0.35%	6.36%
Administrative	194	9,873,232.71	0.11%	5.29%

ADDITIONAL INFORMATION DISCLOSURE REQUIRED BY CBIRC

Number of schemes and total amount of newly-added paid-in trusts of collective, individual and property management trust schemes for the year

Unit: RMB0'000

Newly-added trust scheme	Number of scheme	Total amount of paid-up trust
Collective	133	2,346,273.02
Individual	370	962,782.00
Property right	9	1,924,000.00
Total of newly-added scheme	512	5,233,055.02
Including: actively managed	477	2,733,941.25
administratively managed	35	2,499,113.77

Trust assets and connected parties: aggregate amount of loans, investment, leases, accounts receivable, guarantee and others at the beginning of the period, for the period and at the end of the period

Unit: RMB0'000

	Connected transactions between trust and connected parties			Amount at the end of the period
	Amount at the beginning of the period	Amount from borrowers	Amount from lenders	
Loans	44,009.49	55,252.50	2,900.00	96,361.99
Investment	61,050.00	12,494.50	3,500.00	70,044.50
Leasing	-	-	-	-
Guarantee	-	-	-	-
Accounts receivable	-	-	-	-
Others	68,042.75	194,290.23	68,042.75	194,290.23
Total	173,102.24	262,037.23	74,442.75	360,696.72

ADDITIONAL INFORMATION DISCLOSURE REQUIRED BY CBIRC

Aggregate amount of the transaction between proprietary properties and trust properties at the beginning of the period, for the period and at the end of the period

Unit: RMB0'000

Item	Transactions between proprietary properties and trust properties		
	Amount at the beginning of the period	Net amount for the period	Amount at the end of the period
Total	647,728.09	55,683.04	703,411.13

Aggregate amount of the transaction between trust assets at the beginning of the period, for the period and at the end of the period

Unit: RMB0'000

Item	Transactions between trust assets and trust properties		
	Amount at the beginning of the period	Net amount for the period	Amount at the end of the period
Total	566,916.22	-302,560.37	264,355.85

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

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

“Articles of Association”	Articles of Association of the Company (as amended from time to time)
“Audit Committee”	the audit committee under the Board
“Board” or “Board of Directors”	the board of Directors of the Company
“Board of Supervisors”	the board of Supervisors of the Company
“Business Decision Committee”	the business decision committee under the Board
“CBRC” or “CBIRC”	the China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會) or the former China Banking Regulatory Commission (“ CBRC ”) and/or the former China Insurance Regulatory Commission) (as the context requires)
“China” or “PRC”	the People’s Republic of China, but for the purpose of this annual report and for geographical reference only and except where the context requires, references in this annual report to “China” and the “PRC” do not include, Hong Kong, Macau and Taiwan
“CNPC Assets Management”	CNPC Assets Management Co., Ltd. (中油資產管理有限公司)
“CNPC Assets Management Trust Framework Agreement”	the trust framework agreement dated 26 August 2019 entered into by the Company and CNPC Assets Management, pursuant to which the Company shall provide trust services to CNPC Assets Management and its associates
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

“CSRC”	China Securities Regulatory Commission
“Director(s)”	director(s) of the Company
“Domestic Share(s)”	ordinary share(s) issued by the Company with a nominal value of RMB1.00 each, which are subscribed for or credited as paid up in Renminbi
“Group”	the Company and the trust schemes over which it has control
“H Share(s)”	overseas listed foreign share(s) in the ordinary share capital of the Company with a nominal value of RMB1.00 each, which are subscribed for and traded in Hong Kong dollars and listed on the Hong Kong Stock Exchange
“H Share Registrar”	Computershare Hong Kong Investor Services Limited
“HK\$” or “Hong Kong dollars”	the lawful currency of Hong Kong
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Human Resources and Nomination Committee”	the human resources and nomination committee under the Board, which was merged with the Remuneration Committee into the Nomination and Remuneration Committee during the Reporting Period
“Independent Shareholders”	Shareholders who are not required to abstain from voting at the general meeting
“IFRS”	International Financial Reporting Standards
“Jinan Finance Holding”	Jinan Finance Holding Group Co., Ltd. (濟南金融控股集團有限公司)
“Kunlun Trust”	Kunlun Trust Co., Ltd.

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

“Listing Date”	the date when the Company’s H Shares are listed on the main board of the Hong Kong Stock Exchange (i.e. 8 December 2017)
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Lucion Group”	Shandong Lucion Investment Holdings Group Co., Ltd. (山東省魯信投資控股集團有限公司)
“Macau”	the Macau Special Administrative Region of the PRC
“MOF”	Ministry of Finance of the PRC (中華人民共和國財政部)
“Nomination and Remuneration Committee”	the nomination and remuneration committee under the Board
“PBOC”	the People’s Bank of China (中國人民銀行), the central bank of the PRC
“PRC Company Law”	Company Law of the People’s Republic of China (《中華人民共和國公司法》), as amended, supplemented or otherwise modified from time to time
“Prospectus”	the prospectus issued on 28 November 2017 in connection with the Hong Kong Public Offering
“Related Party Transaction Control Committee”	Related Party Transaction Control Committee of the Board
“Remuneration Committee”	the remuneration committee under the Board, which was merged with the Human Resources and Nomination Committee into the Nomination and Remuneration Committee during the Reporting Period
“Reporting Period”	the period from 1 January 2021 to 31 December 2021
“RMB” or “Renminbi”	the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented from time to time or otherwise revised
“Shandong Office of CBRC” or “Shandong Office of CBIRC”	the Shandong Office of CBRC (中國銀監會山東監管局) (currently known as Shandong Office of CBIRC)

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

“Shandong Trust”, “SITC”, “Company”, “we” or “us”	Shandong International Trust Co., Ltd. (山東省國際信託股份有限公司), established in the PRC on 10 March 1987 and converted into a joint stock company with limited liability under the PRC Company Law on 30 July 2015, except where the context otherwise requires, the trust schemes over which it has control
“Shareholder(s)”	holder(s) of our shares
“Substantial Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“State”	the central government of the PRC, including all governmental subdivisions (including provincial, municipal and other regional or local government entities) and its organs or, as the content requires, any of them
“Strategies and Risk Management Committee”	the strategies and risk management committee under the Board
“Supervisor(s)”	supervisor(s) of the Company
“Trust Committee”	the trust committee under the Board
“United States”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“US\$” or “USD”	United States dollars, the lawful currency for the time being of the United States
“30%-controlled company”	has the meaning ascribed to it under the Listing Rules

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

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

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

LUCION

山東省國際信託股份有限公司
Shandong International Trust Co., Ltd.



Wechat Offical
Account of SITC



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