LUCION

山東省國際信託股份有限公司
Shandong International Trust Co., Ltd.

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

Stock Code: 1697

2023
INTERIM REPORT

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SITC IS COMMITTED TO BECOMING
A RESPECTED PROFESSIONAL
INSTITUTION OF WEALTH MANAGEMENT
BASED ON ASSET ALLOCATION

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Committed to becoming a respected professional wealth management institution based on asset allocation

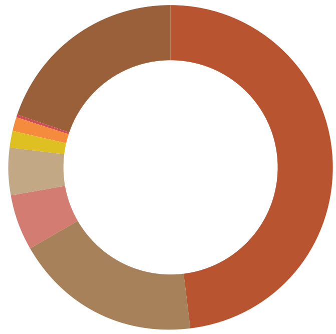
CORE VALUES

Professionalism, Integrity, Diligence and Accomplishment

MISSION

To support the real economy, serve people's well-being, and fulfill social responsibilities

SHAREHOLDING STRUCTURE



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

DEVELOPMENT HISTORY

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

BUSINESS LINES AND NETWORK LAYOUT

BUSINESS COVERAGE

- Capital Market
- Family Trust
- Real Estate
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- Industrial and Commercial Enterprises
- Consumer Finance
- Charitable Trust
- Service Trust

WEALTH NETWORK LAYOUT

JINAN — QINGDAO — BEIJING — SHANGHAI — SHENZHEN — XI'AN — DALIAN — JINING

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

COMPANY PROFILE

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

Since its establishment, SITC has always stood by our role as a trustee, adhered to the development strategy of integration and coordination of its trust business and proprietary business, gave full play to the advantages of the main business of trust, 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 securitisation 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 multilevel 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, 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-centred", the Company actively creates a wealth management system featured in "one body and two wings" and "configuration oriented", strives to provide personalised and differentiated all-round financial life services for HNWI customers, and accurately provides professional and customised products for institutional customers. The Company sets up wealth management centres in Beijing, Shanghai, Jinan, Qingdao, 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, 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, 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 several 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.

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

CORPORATE INFORMATION

Legal name in Chinese
山東省國際信託股份有限公司
Abbreviation
山東國信

Legal name in English
Shandong International Trust Co., Ltd.
Abbreviation
SITC

Legal representative
Wan Zhong (萬眾)

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, head office in the PRC	partial area of 1/F, 2/F and 13/F, 32-35/F and 40/F, Tower A No. 2788 Aoti West Road, Lixia District Jinan, Shandong Province PRC
Postal code	250101
E-mail address	ir1697@luxin.cn
Internet website	http://www.sitic.com.cn
Principal place of business in Hong Kong	31/F, Tower Two, Times Square 1 Matheson Street Causeway Bay, Hong Kong PRC
Website of Hong Kong Stock Exchange for publishing the interim report for H Shares	www.hkexnews.hk
Place for maintaining interim report	35/F, Tower A No. 2788 Aoti West Road, Lixia District Jinan, Shandong Province PRC
Place of listing of H Shares	The Stock Exchange of Hong Kong Limited
Stock name	SDITC
Stock code	1697

H Share registrar	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor, Hopewell Centre 183 Queen's Road East, Wanchai Hong Kong, PRC
Legal adviser (as to PRC laws) Place of business	Fangda Partners 24/F, HKRI Centre Two, HKRI Taikoo Hui 288 Shi Men Yi Road Shanghai, PRC
Legal adviser (as to Hong Kong laws) Place of business	Fangda Partners 26th Floor, One Exchange Square 8 Connaught Place, Central Hong Kong, PRC
International and PRC Auditor Place of business	ShineWing Certified Public Accountants LLP 9/F, Block A Fu Hua Mansion 8 Chaoyangmen Beidajie, Dongcheng District Beijing, PRC
Name of the undersigned accountant	Wang Gongyong (王貢勇); Guo Lechao (郭樂超)
Principal bank	Citic Bank Jinan Huayuan Road Sub-branch Building 9, Ligao International No. 1222 Aoti West Road, Lixia District Jinan, Shandong Province PRC

Major Financial Data

	As at and for the six months ended 30 June		As at and for the year ended 31 December (Audited)			
	2023	2022	2022	2021	2020	2019
Data at the end of the Reporting Period *(RMB in millions)*						
Total assets	**13,704**	18,463	14,458	19,063	20,684	14,572
Fee and commission income	**421**	519	990	830	1,152	1,038
Interest income	**75**	38	63	541	717	530
Total operating income	**836**	806	1,509	1,585	1,931	1,859
Gains from changes in net assets attributable to third-party investors in consolidated structured entities	**32**	46	35	-151	-17	-0.5
Total operating costs	**447**	1,502	916	1,082	1,303	981
Total profit	**276**	-696	591	503	678	878
Segment assets						
Proprietary business	**12,600**	16,936	13,505	17,800	19,358	13,241
Trust business	**951**	1,358	821	1,123	1,147	997
Unallocated assets [(1)]	**153**	169	132	140	179	334
Segment liabilities						
Proprietary business	**2,276**	7,990	3,207	8,186	10,320	4,678
Trust business	**283**	285	278	206	183	71
Unallocated liabilities [(1)]	**36**	10	39	15	6	13

Note:

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

Management Discussion and Analysis

ENVIRONMENT REVIEW

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

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

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

BUSINESS OVERVIEW

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

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

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

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

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

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

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

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

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

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

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

Trust Business

Classification of Trusts

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

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

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

(2) **Investment trusts:** With investment trusts, the Company provides asset and wealth management services to institutional investors and HNWIs to satisfy their investment needs. The rapid accumulation of wealth in the PRC has resulted in diversified demands for various forms of investment. As the traditional asset management industry in the PRC is dominated by securities investment fund companies and securities firms, which mainly invest in standardised financial products in capital markets, such as the money market, publicly traded stocks and bonds, the Company believes the flexibility of trusts and the business scope of the trust license enables the Company to offer financial products with unique value to institutional investors and HNWIs.

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

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

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

Note:

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

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

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

Trust Business Segmentation

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

Real Estate Trusts

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

The models of real estate trust business mainly include loan financing, equity investment and innovative business models, such as real estate investment trusts (REITs). The Company selects national enterprises with high industry ranking and high credit rating and high-quality enterprises deeply developed in the region as its counterparties, and provides financial support for residential real estate and non-residential real estate (such as commercial real estate, logistics real estate, etc.) mainly through debt financing and equity investment.The Company will actively respond to the national macro policies, actively comply with the regulatory guidance, scientifically study and judge the market situation, vigorously support the construction of long-term rental housing and affordable housing, and continue to serve the reasonable inelastic and improving housing needs of residents.

Capital Market Trusts

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

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

As at 30 June 2023, the size of the Company's existing capital market business exceeded RMB57.576 billion. With the establishment of the Science and Technology Innovation Board, the Beijing Stock Exchange and the implementation of capital market deepening reform measures such as the comprehensive implementation of the stock issuance and registration system, the construction of China's multi-level capital market has been improved day by day, which provides a broad development platform and market space for trust companies to vigorously expand this kind of business.

Family Trusts

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

Since 2013, the domestic localisation of family trusts has gone through ten years, and the industry has ushered in prosperous development. SITC is one of the earliest entrants into family trust business in China, and family trust is a strategic business that SITC has adhered to and focused on for a long time. In recent years, the Company has continued to promote business model innovation, developed and formed a whole-system business models such as family trust, family service trust, insurance trust and family charity trust, and implemented industry leading cases such as equity, stock and property integration and FGT family trust to continuously met the personalised, diversified and customised service needs of customers. The Company actively expands financial industry cooperation, internal and external linkage, improves customer service ability, and actively constructs a service ecosystem. At present, the Company has established strategic cooperative relations with large state-owned commercial banks, national joint-stock commercial banks and large securities and insurance companies. At the same time, the Company attaches great importance to the application of financial technology in the field of family trust business. The Company developed and launched the new family trust comprehensive management platform system and client, and implemented online management of the full process of family trust customers in various channels such as submission of application, contract generation, audio and video recording during contract signing, investment allocation and asset search.

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

Industrial and Commercial Enterprises Trusts

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

As at 30 June 2023, the existing industrial and commercial enterprises trust scale of SITC was RMB49.882 billion, and the counterparties were mainly central enterprises and state-owned enterprises with strong strength and high credit rating. Under the background of persistent global inflation, unsmooth circulation of industrial chain and supply chain, rising commodity prices and new downward pressure on the economy, SITC will actively respond to the national call, flexibly use trust instruments, and increase its support to the real economy, especially small and medium-sized and micro enterprises, scientific and technological innovation, green development, "specialised and innovative" enterprises, industries with regional characteristics and advantages, and ecological protection in the Yellow River Basin, so as to help enhance the core competitiveness of manufacturing industry and regional economic development.

Infrastructure Trusts

Infrastructure trust refers to a business in which a trust company, as a trustee, accepts the trustor's funds in the form of single or collective trust, and uses the trust funds for infrastructure projects such as transportation, communication, energy, municipal administration and environmental protection, and carries out management, application or disposal. The industries involved in infrastructure trust mainly include electric power, water conservancy, road traffic, municipal engineering, etc. Trust companies can provide financial support for infrastructure projects through loans, account receivables and asset securitisation. Infrastructure trust usually takes business operation income and government financial investment as repayment sources. As at 30 June 2023, the Company's existing infrastructure trust amounted to RMB7.374 billion, and its counterparties were mainly state-owned enterprises.

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

Consumer Finance Trusts

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

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

As at 30 June 2023, the Company had established consumer finance trusts totalling RMB7.763 billion, with an existing scale of RMB1.387 billion, providing consumption financial services to 3.2077 million natural persons in aggregate and established long-term and stable cooperative relations with many well-known and stable platforms with high credit rating in the industry. With the introduction of normative documents in the consumer finance industry, the business rules and business model of consumer finance have become clearer, which has laid a solid institutional foundation and provided broad development space for trust companies to standardise and steadily carry out consumer finance business.

Public Welfare/Charitable Trusts

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

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

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

Service Trusts

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

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

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

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

Proprietary Business

In the first half of 2023, in order to reasonably optimise the allocation of its own funds and improve the operational standard of its own funds, the Company insisted on the strategy of combining long-term, mid-term and short-term assets, and made reliable investments with its own funds. Firstly, the Company fully utilised the synergy between the proprietary business and the trust business, and provided great support for standardised products and the transformation and innovation products so as to assist the transformation and development of the Company's business. Secondly, the Company further optimised the asset structure, actively dealt with inefficient assets, and improved the quality of proprietary assets. Thirdly, with safety and liquidity being assured, diversified investment and efficient use of liquidity capital for short-term operations such as government bonds purchased under agreements to resell, investment in monetary fund and cash management trust schemes were actively carried out to improve capital utilisation efficiency. The Company recorded segment income of RMB420.4 million from its proprietary business In the first half of 2023, representing a year-on-year increase of 45.2%, mainly due to the increase in gains from changes in fair value from RMB35.9 million In the first half of 2022 to RMB212.1 million In the first half of 2023, which was partially offset by a decrease in investment income from RMB227.9 million in the first half of 2022 to RMB133.8 million in the first half of 2023.

Allocation of Proprietary Assets

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

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

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

	30 June 2023	31 December 2022 (Audited)
	(RMB in thousands)	
Investments in monetary assets	680,087	2,535,524
Cash at banks	146,308	405,298
Other monetary assets	34,185	1,803,005
Government bonds purchased under agreements to resell	499,594	327,221
Securities Investments	9,696,623	8,405,423
Investment in equity products	2,268,290	1,515,532
Listed stock investment classified as:		
—Financial assets held for trading	1,539,579	43,366
Subtotal	1,539,579	43,366
Public fund investments classified as:		
—Financial assets held for trading	728,711	1,472,166
Subtotal	728,711	1,472,166
Investment in wealth management products		
Investments in consolidated trust schemes	1,780,454	1,323,148
Investment in unconsolidated trust schemes classified as financial assets held for trading	753,920	725,660
Investment in unconsolidated trust schemes classified as debt investments	241,039	187,436
Other financial investment classified as debt investments	3,525,550	3,645,299
Bond Investments	11,120	320,707
Asset management products	1,116,250	687,641
Long-Term Equity Investments	1,074,149	1,071,650
Investment accounted for using the equity method	525,210	515,703
Investment classified as financial assets held for trading	548,939	555,947
Proprietary Loans	112,799	107,580
Trust Industry Protection Fund	111,448	108,895
Assets classified as held for sale	–	675,178
Total	11,675,106	12,904,250

Monetary Assets

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

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

	For the six months ended 30 June	
	2023	2022
	(RMB in thousands)	
Interest income generated from:		
—Cash at banks	**1,131**	539
—Government bonds purchased under agreements to resell	**9,947**	10,294
Total	**11,078**	10,833

Average investment return of the Company's monetary assets (calculated as the total of investment income (in terms of interest income received), annualised as a percentage of average investment balance in such monetary assets, where appropriate) was both 1.4% for the six months ended 30 June 2022 and for the six months ended 30 June 2023.

Securities Investments

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

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

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

Note:

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

The Company contemporaneously adjusted the allocation of its proprietary assets in securities investment according to market conditions. During the Reporting Period, the average balance of the Company's investments in equity products increased by 53.8% from RMB1,230.0 million in 2022 to RMB1,891.9 million in the first half of 2023; the average balance of investments in trust schemes decreased by 31.0% from RMB3,634.0 million in 2022 to RMB2,505.8 million in the first half of 2023; the average balance of the debt investments increased by 58.2% from RMB2,266.5 million in 2022 to RMB3,585.4 million in the first half of 2023; and the average balance of investments in asset management products increased by 104.4% from RMB441.2 million in 2022 to RMB901.9 million in the first half of 2023.

Long-Term Equity Investments

The Company made strategic long-term investments in a number of financial institutions, which helped the Company establish stronger business relationships with these financial institutions and created synergies for its business operations. The following table sets forth the major equity investments of the Company in financial institutions As at 30 June 2023, including their main businesses, the Company's proportionate equity interests in them, whether the Company held any board seats, the date of the Company's first investment, and the relevant accounting treatment of each investment.

Name	Main business	Equity interest as at 30 June 2023	Board seat	First investment date	Accounting treatment
Sinotruk Auto Finance Co., Ltd.	Automobile financing	6.52%	Yes	September 2015	Investments accounted for using the equity method
Taishan Property & Casualty Insurance Co., Ltd.	Insurance products and services	7.40%	Yes	December 2010	Investments accounted for using the equity method
Dezhou Bank Co., Ltd.	Commercial banking services	2.37%	Yes	November 2009	Investments accounted for using the equity method
Minsheng Securities Co., Ltd.	Securities brokerage, securities asset management and proprietary investment	1.16%	No	January 1999	Financial assets held for trading

The Company uses the equity method to account for its long-term equity interests in companies that constituted associates of the Company under CASBE, and account for the Company's long-term equity investments in other companies as financial assets held for trading under the requirements of CASBE No.22 "Recognition and Measurement of Financial Instruments" since 1 January 2018. The balance of the Company's long-term equity investments (including those accounted for as associates using the equity method, financial assets held for trading) together with their investment return (in terms of dividend income generated) for the periods indicated below are summarised as follows:

	30 June 2023	31 December 2022 (Audited)
	(RMB in thousands)	
Long-term equity investments, accounted for:		
—As associate using the equity method	**525,210**	515,703
—Investment categorised as financial assets held for trading	**548,939**	555,947
Total	**1,074,149**	1,071,650

	For the six months ended 30 June	
	2023	2022
	(RMB in thousands)	
Dividend income generated from:		
—As associate using the equity method	**781**	233,450
—Investment categorised as financial assets held for trading	**–**	4,251
Total	**781**	237,701

The average investment returns of the Company's long-term equity investments (calculated as the total of the investment income (in terms of the dividend income received), annualised as a percentage of average investment balance in such long-term equity investments, where appropriate) were 21.3% and 0.1% for the six months ended 30 June 2022 and the six months ended 30 June 2023, respectively. The significant decrease in average return on long-term equity investments in the first half of 2023 as compared to that of the first half of 2022 was primarily due to the significant decrease in dividend income from the associates of the Company in the first half of 2023.

Proprietary Loans

While the Company is allowed to grant proprietary loans to its customers, it does not engage in such business on a regular basis. As at 31 December 2022 and 30 June 2023, the outstanding balance of the Company's proprietary loans were RMB107.6 million and RMB112.8 million, respectively.

Trust Industry Protection Fund

According to the Administrative Measures on Trust Industry Protection Fund 《信託業保障基金管理辦法》 issued by the CBIRC in December 2014, trust companies are required to subscribe for a certain amount of the protection fund when conducting business. The Company's interests in the Trust Industry Protection Fund increased by 2.3% from RMB108.9 million as at 31 December 2022 to RMB111.4 million as at 30 June 2023.

FINANCIAL OVERVIEW

Analysis of Unaudited Interim Condensed Consolidated Income Statement

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

Results of Operations

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

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

Total Operating Income

Net Interest Income

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

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

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

Net Fee and Commission Income

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

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

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

Investment Income

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

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

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

Gains from Changes in Fair Value

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

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

Total Operating Costs

Business and Administrative Expenses

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

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

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

Credit Impairment Losses

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

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

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

Non-operating Expenses

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

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

Total Profit/Loss and Operating Margin

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

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

Note:

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

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

Income Tax Expense/Credit

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

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

Net Profit/Loss and Net Profit Margin

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

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

Note:

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

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

Segment Results of Operations

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

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

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

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

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

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

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

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

Trust Business

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

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

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

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

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

Proprietary Business

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

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

(1) The increase in segment income from the proprietary business was mainly due to an increase in the gains from changes in fair value from RMB35.9 million in the first half of 2022 to RMB212.1 million in the first half of 2023.

(2) The decrease in the segment operating expenses from the proprietary business was mainly due to a decrease in the provision for impairment losses on credit assets from RMB1,347.3 million in the first half of 2022 to RMB278.0 million in the first half of 2023.

Selected Interim Condensed Consolidated Financial Positions

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

Assets

As at 31 December 2022 and 30 June 2023, the total assets of the Group (including the Company and the trust schemes over which the Company has control) amounted to RMB14,458.1 million and RMB13,704.4 million, respectively, of which the total assets of the Company amounted to RMB14,065.9 million and RMB12,907.9 million, respectively. The Group's major assets consist of (i) loans and advances to customers, (ii) debt investments, (iii) long-term equity investments, (iv) financial assets held for trading, (v) monetary assets, (vi)accounts receivable, and (vii) financial assets purchased under resale agreements. As at 30 June 2023, the above-mentioned major assets accounted for 14.8%, 27.5%, 6.3%, 35.7%, 1.8%, 1.2% and 3.6% of the total assets of the Group, respectively.

Loans and Advances to Customers

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

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

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

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

Some of the loans granted by the Group's trust schemes to which it made proprietary investment and consolidated into the Group's financial statements were identified as impaired during the Reporting Period. The gross amount of such impaired loans increased by 53.8% from RMB377.6 million as at 31 December 2022 to RMB580.6 million as at 30 June 2023. The aggregate fair value of collateral (estimated based on the latest external valuations available and adjusted by the experience of realisation of the collateral in current market conditions) for such loans outstanding as at 31 December 2022 and 30 June 2023 were RMB267.5 million and RMB645.0 million, respectively. The Group determined the provision for impairment losses on those loans through ECL assessments and made allowance for impairment of RMB176.3 million and RMB196.1 million for these impaired loans as at 31 December 2022 and 30 June 2023, respectively, representing 46.7% and 33.8% of the gross amount of those loans, respectively. The Group has provided impairment allowances in accordance with the provisions under CASBE No.22 "Recognition and Measurement of Financial Instruments". Such impairment allowances were measured by the difference between the carrying amount of those impaired loans and the present value of estimated future cash flows of those loans. The gross amount of such impaired loans represented 30.5% and 25.5% of the Group's gross loans and advances to customers as at 31 December 2022 and 30 June 2023, respectively.

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

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

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

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

Debt Investments

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

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

Long-term Equity Investments

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

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

Financial Assets Held for Trading

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

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

Note:

Significant investment: The Company holds shares of China Zheshang Bank Co., Ltd. ("CZ Bank"). CZ Bank is principally engaged in corporate and retail banking services, treasury business and other commercial banking business. The A shares and H shares of CZ Bank are listed on the Shanghai Stock Exchange and the Hong Kong Stock Exchange (A share stock code: 601916, H share stock code: 2016), respectively. As at 30 June 2023, the fair value of the investment was approximately RMB1.5 billion, and the an initial investment cost was approximately RMB1.3 billion. The management of the Company expects the future business development of CZ Bank to be stable.

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

Monetary Assets

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

Accounts Receivable

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

Trustee's remuneration receivable of the Group increased by 11.0% from RMB148.1 million on 31 December 2022 to RMB164.4 million on 30 June 2023. The Company, as the trustee, has closely monitored the trust accounts of its unconsolidated trust schemes, and the Company is usually allowed to collect its trustee's remuneration in arrears in one or more installments according to the Company's trust contracts. The Company is normally allowed only to receive trustee's remuneration after the trust has paid its quarterly dividends, and the Company expects to continue to have certain amount of trustee's remuneration receivable in the future. As at 31 July 2023, 17.99% of the trustee's remuneration receivable was recovered.

Financial Assets Purchased under Resale Agreements

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

The Group's government bond purchased under agreements to resell increased from RMB357.3 million on 31 December 2022 to RMB499.6 million on 30 June 2023. These changes were due to the flexible adjustment of the business scale of the Company's based on the overall market condition and interest rates, and such adjustment resulted in a change in the amounts of the Company's government bond purchased under agreements to resell as at 31 December 2022 and 30 June 2023, respectively.

Liabilities

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

Short-term Borrowings

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

Estimated Liabilities

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

Other Liabilities

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

The net assets attributable to third-party trust beneficiaries of consolidated structured entities represent third-party beneficiaries' share of net assets of the consolidated trust schemes. Under the PRC laws and regulations, these third-party beneficiaries' entitlements are limited to the available assets of the relevant trust schemes, and as long as the Company does not breach its duty as a trustee, it will not be required to use any of its proprietary assets to pay for such third-party beneficiaries' entitlements. In addition, the Company cannot use, and is prohibited from using, the assets of a consolidated trust scheme to pay for any beneficiary of another consolidated trust scheme. As such, while the net assets attributable to other beneficiaries of consolidated structured entities are accounted for as the Group's liabilities, such liabilities are limited to the net assets of the relevant consolidated trust scheme. The Group's net assets attributable to third-party trust beneficiaries of consolidated structured entities increased by 158.3% from RMB243.9 million on 31 December 2022 to RMB630.0 million on 30 June 2023. Changes in such amount mainly reflected changes in the net assets of the Group's consolidated trust schemes as well as the change in percentage of the Company's proprietary investment in such trust schemes.

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

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

Off-balance Sheet Arrangements

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

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 CASBE. Those trust schemes are deconsolidated when the Company ceases to have control over them. During the Reporting Period, deconsolidation of the Company's consolidated trust schemes generally occurred when such trust schemes were disposed of or were liquidated upon the expiry of their terms.

During the year ended 31 December 2022 and the six months ended 30 June 2023, the Company had consolidated 19 and 21 of the trust schemes under its management, respectively, and the total trust assets of these consolidated trust schemes were RMB1,892.4 million and RMB2,778.8 million, respectively. The following table sets forth changes in the number of the Group's consolidated trust schemes during the Reporting Period:

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

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

	As at 30 June 2023	As at 31 December 2022 (Audited)
	(RMB in millions)	
Total assets of the Company	12,908	14,066
Total assets of consolidated trust schemes	2,779	1,892
Consolidation adjustment	-1,983	-1,500
Total assets of the Group	13,704	14,458

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

	As at 30 June 2023	As at 31 December 2022 (Audited)
	(RMB in millions)	
Total liabilities of the Company	**1,870**	3,203
Total liabilities of consolidated trust schemes	**290**	234
Consolidation adjustment	**435**	87
Total liabilities of the Group	**2,595**	3,524

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 30 June 2023	As at 31 December 2022 (Audited)
	(RMB in millions)	
Total equity of the Company	**11,038**	10,863
Consolidation adjustment	**71**	71
Total equity of the Group	**11,109**	10,934

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

	For the six months ended 30 June	
	2023	2022
	(RMB in millions)	
Net profit of the Company before consolidation of trust schemes	**175**	284
Impact of consolidation of trust schemes	**0**	-4
Net profit of the Group after consolidation of trust schemes	**175**	280

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

(1) Whether the Company has power over the trust scheme, and whether the Company can exercise the rights that give the Company the ability to affect the relevant activities of the trust scheme. Usually the Company has such power when it acts as the trustee of those actively managed trusts, as the contractual terms in the trust contracts allow the Company to determine the selection of assets or projects in which the trust assets will be invested in, to perform due diligence on the assets or projects as well as the counterparties that hold the assets or projects, to determine the pricing strategy, and to be actively involved in the ongoing management and disposition of the trust assets;

(2) Whether the Company is exposed to the risks of or has rights to, variable returns from its involvement as the trustee when the Company's returns from its involvement have the potential to vary as a result of the performance of the trust scheme. Such variable returns may either form a part of the investment returns from the trust scheme when the Company has proprietary funds invested in the trust scheme, or floating trustee's remuneration as calculated according to the relevant terms in the trust contracts; and

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

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

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

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

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

RISK MANAGEMENT

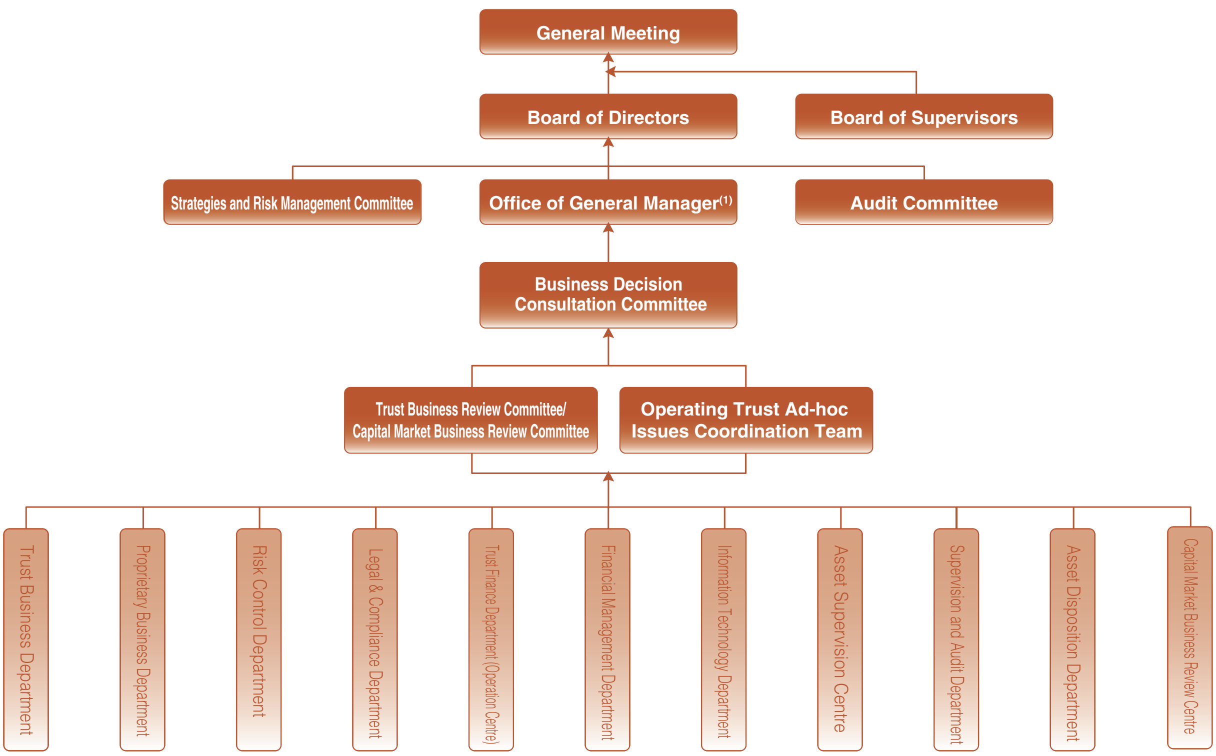
Overview

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

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.

Factors Affecting the Company's Results of Operations

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

General Economic and Financial Market Conditions

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

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

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

Regulatory Environment

The Company's results of operations, financial condition and development prospects are affected by regulatory developments in the PRC. The NAFR (formerly the CBIRC), the main regulatory authority for the PRC trust industry, has been continuously monitoring the development status of the industry and issuing various regulations and policies to encourage or discourage or even prohibit conducting certain types of trust business from time to time. The Company will need to continuously adjust its trust business structure and mode of operation to conform to these regulations and policies, which may have positive or negative impact on the size, income or profitability of the Company's trust business. In April 2018, the PBOC, the CBIRC, the China Securities Regulatory Commission and the State Administration of Foreign Exchange jointly issued the Guiding Opinions on Regulating Asset Management Business of Financial Institution (Yin Fa [2018] No. 106) (《關於規範金融機構資產管理業務的指導意見》(銀發[2018]106 號)) to unify the regulatory standards of asset management business by product types, requiring, among other things, financial institutions including trust companies to carry out "de-channelling" and "reduce nested systems" in conducting the asset management business. In 2020, the CBIRC made clear requirements for the pressure drop of trust companies' channel business and financing business, insisting on the goal of "de-channelling", continuing to standardise business development and guiding trust companies to accelerate business model transformation. In March 2023, the CBIRC issued the Notice on Standardizing the Classification of Trust Business of Trust Companies, which further clarifies the boundaries and service content of trust business, guides trust companies to give full play to institutional advantages and industry competitive advantages, promotes trust companies to return to their origin, standardize development, and promotes the high-quality development of the trust industry. Such policies may impose certain tightening effects on the operation of trust companies in the short term, while in the long term, they are conducive to trust companies in enhancing the active management capability and returning to the fundamentals of trust industry. However, the regulatory authorities may also restrict the development of certain businesses of trust companies from time to time, which may have an adverse effect on the Company's business.

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

Business Lines and Product Mix

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

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

Competition

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

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

Interest Rate Environment

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

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

- Changes in deposit interest rates may affect the comparative investment returns to the Company's trustor clients from different investment options and thereby affecting their willingness to invest in the Company's trust products;

- Changes in lending rates may affect the amount of interest income generated from financing service provided to the Company's counterparty clients by the Company's trust schemes or itself using the Company's proprietary assets and thereby affecting the amount of the trustee's remuneration of the Company as well as the Company's interest income from consolidated trust schemes and its proprietary loans; and

- Changes in interest rates may also affect the value of various types of financial assets held by the Company's trust schemes or itself as proprietary assets. For example, an increase in interest rates may cause a decline in the market value of fixed-income securities and thereby reduce the Net Assets Value of the trust schemes holding such securities or the Company's proprietary business.

Credit Risk Management

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

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

Credit Risk Management on Trust Business

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

Credit Risk Management on Proprietary Business

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

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.

Liquidity Risk Management

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

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

Compliance Risk Management

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

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

Operational Risk Management

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

Reputational Risk Management

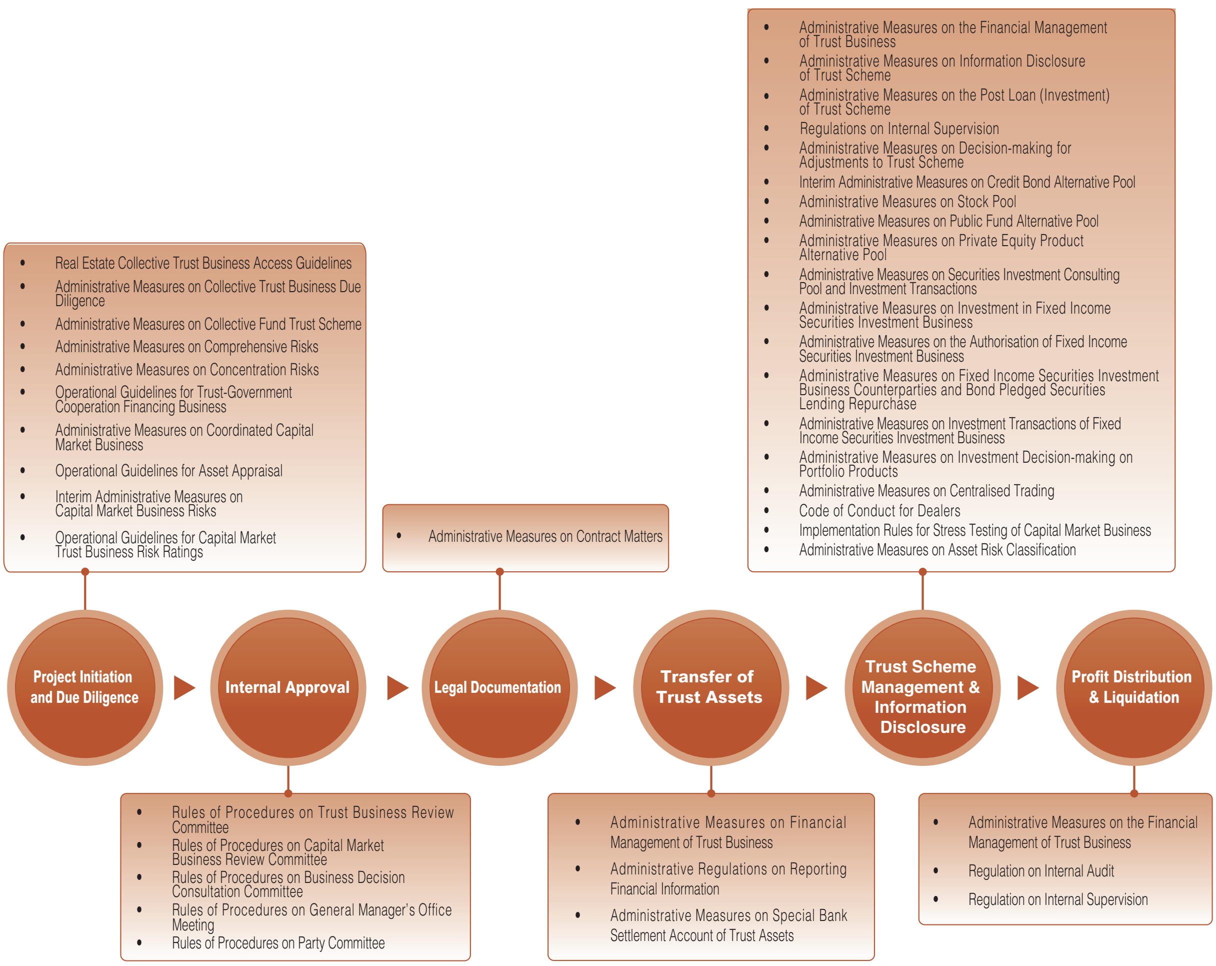
The Company values its positive market image which has been built over the years. It actively implements effective measures to avoid and prevent from any harm to its reputation. The Company formulated the Administrative Measures on Reputational Risk Management. During the Reporting Period, the Company 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".

Other Risk Management

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

Risk Management Systems and Policies

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



The main systems and policies governing the proprietary business of the Company include Procedural Rules for the Board of Directors (董事會議事規則), Rules of Procedures on Party Committee (黨委會議事規則), Rules of Procedures on General Manager's Office Meeting (總經理辦公會議事規則), Administrative Measures on Proprietary Financial Equity Investment Business (固有資金金融股權投資業務管理辦法), Administrative Measures on Proprietary Equity Investment Business (固有資金股權投資業務管理辦法), Administrative Measures on Proprietary Securities Investment (自營證券業務管理辦法), Administrative Measures on Proprietary Loans (固有資金貸款業務管理辦法), 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 work office under the Anti-Money Laundering Working Group, consisting of the heads of the Trust Finance Department (Operation Centre), Information Technology Department, Office of the Board of Directors (Supervisors) (Research and Development Centre), Asset Monitoring Centre, Finance Management Department, Risk Control Department, Legal & Compliance Department, Wealth Management Business Division, Family Trust Business Division, Office, Office of Discipline Inspection (Supervision and Audit Department) and Human Resources Department (Party and Mass Work Department), in order to organise and conduct anti-money laundering management work.

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

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

CAPITAL MANAGEMENT

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

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

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

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

As at 30 June 2023, the Company's net capital was approximately RMB8.972 billion, which is not less than RMB200 million; the total risk-based capital was approximately RMB2.702 billion; the ratio of net capital to total risk-based capital was 332.01%, which is not lower than 100%; and the ratio of net capital to net asset was 81.29%, which is not lower than 40%.

HUMAN RESOURCES MANAGEMENT

In the first half of 2023, the Company deepens market-oriented reform, carries out business transformation and mechanism reform, and promotes the transformation and breakthrough of talent work through the double promotion of business and management, so as to realise the high-quality development of talent team construction.

Optimising the organisational structure and returning to the origin of trust. By adopting the management 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 13 middle and back-end offices. Since the first half of 2023, the constant optimisation of the organisational structure and the development of a new business growth point have ensured the high-quality development of the Company.

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

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

Broadening the growth path and developing talents comprehensively. The Company has set up a dual-channel system of "management sequence" and "professional sequence" development to broaden the promotion channels of employees and reasonably meet the career development demands of employees. We build a training "soft platform" for young talents, establish a training system "Guo Xin Lan" (國信藍) and learn from the advanced experience of the industry to carry out multi-level, multi-type and multi-stage learning and training. We carry out training by means of internal case sharing, engaging external mentors and external training. We offer various online courses for employees. We keep improving the construction of training system of the Company by combining compulsory courses with optional courses and focusing on training credits. We provide employees with efficient, professional and all-around training. For example, in the first half of 2023, the Company carried out special training on new classification of trust business, business foresight, and official document writing.

Orderly organising labour unions and fully safeguarding the rights and interests of employees. We carried out the commendation meeting of "Women's Contribution" and organized the "Women's Wish and Success" DIY production activity to express the Company's concern and care for female employees. We held the employee walking competition of "Cultivating the soul and working together", built a platform for communication and interaction among employees, and gathered the strength of unity. 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 strictly implement the policy of epidemic prevention and control. Meanwhile, the Company's operations have never been affected by any strike or significant labour dispute and the Company is awarded a title of "Jinan Labour Relations Harmonious Enterprise". 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 30 June 2022 and 30 June 2023, the Company had a total of 385 and 334 employees, respectively. The number and percentage of different employees by departments were as follows:

	30 June 2023		30 June 2022	
	Number of employees	**%**	Number of employees	%
Management	**13**	**3.89**	13	3.38
Trust business employees	**131**	**39.22**	155	40.26
Proprietary business employees	**4**	**1.20**	4	1.04
Wealth management employees	**63**	**18.86**	89	23.11
Risk management and audit employees	**47**	**14.07**	47	12.11
Financial and accounting employees	**7**	**2.10**	7	1.82
Operation management employees	**28**	**8.38**	35	9.09
Other staff[1]	**41**	**12.28**	35	9.09
Total	**334**	**100.00**	385	100.00

Note:

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

As at 30 June 2022 and 30 June 2023, the details of employees by age were as follows:

	30 June 2023		30 June 2022	
	Number of employees	%	Number of employees	%
Aged 25 and below	9	2.69	6	1.55
Aged 26-29	40	11.98	49	12.73
Aged 30-39	204	61.08	248	64.42
Aged 40 and above	81	24.25	82	21.30
Total	334	100.00	385	100.00

As at 30 June 2022 and 30 June 2023, the details of employees by education level were as follows:

	30 June 2023		30 June 2022	
	Number of employees	%	Number of employees	%
Doctoral degree and above	6	1.80	7	1.82
Master's degree	251	75.15	274	71.17
Bachelor's degree	72	21.55	97	25.19
Junior college and below	5	1.50	7	1.82
Total	334	100.00	385	100.00

As at 30 June 2022 and 30 June 2023, the details of employees by gender were as follows:

	30 June 2023		30 June 2022	
	Number of employees	%	Number of employees	%
Male	189	56.59	200	57.14
Female	145	43.41	165	42.86
Total	334	100.00	385	100.00

FUTURE PROSPECT

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

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

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

Changes in Share Capital and Shareholdings of Substantial Shareholders

CHANGES IN SHARE CAPITAL

Category of shares	31 December 2022 Number of shares	31 December 2022 Percentage (%)	Increase or decrease during the Reporting Period	30 June 2023 Number of shares	30 June 2023 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**

INTERESTS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

As at 30 June 2023, the Company has been notified by the following persons in relation to their interests or short positions in the shares and underlying shares of the Company which are discloseable pursuant to Divisions 2 and 3 of Part XV of the SFO, and such interests or short positions recorded in the register required to be kept under section 336 of the SFO are as follows:

Name of Shareholder	Class of shares	Nature of interests[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%

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 Provincial Finance Bureau[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 Beneficial Co., Ltd.	H Shares	Beneficial owner	51,272,000	7.92%	1.98%
HWABAO TRUST CO., LTD	H Shares	Trustee	35,974,000	5.59%	1.39%

Notes:

(1) All of the interests refer to long positions.

(2) The Company completed the issue of new shares by way of the transfer of capital reserve to share capital in January 2019. Since the change in number of shares arising from the capitalisation issue did not constitute reporting obligation pursuant to the SFO, the number of shares held by certain Shareholders as disclosed in the forms of disclosure of interests does not reflect the impact of the capitalisation issue.

(3) Shandong High-Tech is a direct wholly-owned subsidiary of Lucion Venture Capital Group Co., Ltd. ("**Lucion Venture Capital**"). Lucion Venture Capital is a non-wholly owned subsidiary owned as to 69.57% by Lucion Group and therefore is deemed to be interested in all of the shares of the Company held by Shandong High-Tech, and Lucion Group is deemed to be interested in all of the shares of the Company held indirectly by Lucion Venture Capital.

(4) Lucion Group is owned as to 90.58% by Shandong Provincial Finance Bureau and as to 9.42% by Shandong Caixin Assets Operation Co., Ltd. ("**Shandong Caixin**"), and Shandong Caixin is wholly-owned by the Shandong Provincial Finance Bureau. Shandong Provincial Finance Bureau is therefore deemed to be interested in all of the shares of the Company directly and indirectly held by Lucion Group.

(5) CNPC Assets Management is a direct wholly-owned subsidiary of CNPC Capital Company Limited ("**CNPC Capital**") and CNPC Capital is wholly-owned by CNPC Capital Joint Stock Company with Limited Liability ("**CNPC Capital Joint Stock**"). CNPC Capital Joint Stock, which is an A share listed company, is held as to 77.35% by CNPC. Each of CNPC Capital, CNPC Capital Joint Stock and CNPC are therefore deemed to be interested in all of the shares of the Company held by CNPC Assets Management.

(6) To the knowledge of the Company, Jinan Finance Holding Group Co., Ltd. has been renamed as Jinan Finance Investment Holding Group Co., Ltd., and it has been held by Jinan Finance Bureau since 14 February 2022. The number of shares reflected their interests as at the end of the Reporting Period. Since the changes in their interests did not constitute reporting obligation pursuant to the SFO, the updated numbers of shares were not reflected in their forms for disclosure of interest.

(7) 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 Directors, Supervisors and Senior Management

PROFILE

Directors

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

Supervisors

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

Senior Management

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

CHANGES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Changes of Directors

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

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

Changes of Supervisors

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

Changes of Senior Management

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

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

CORPORATE GOVERNANCE

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

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

CORPORATE GOVERNANCE CODE

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

SHAREHOLDERS' GENERAL MEETING

The Company held the 2022 annual general meeting in Jinan on 14 June 2023, at which certain resolutions were considered and approved, including the 2022 Work Report of the Board of Directors, 2022 Work Report of the Independent Directors and 2022 Work Report of the Board of Supervisors.

The Shareholders' general meeting was convened in accordance with relevant laws, regulations and the Listing Rules. The Directors, Supervisors and senior management attended the meeting. The Company announced the poll results of the Shareholders' general meeting in due course in accordance with regulatory requirements.

THE BOARD OF DIRECTORS

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

During the Reporting Period, the Company convened three meetings of the Board of Directors and considered and approved 40 resolutions, including 2022 Work Report of the General Manager, the Resolution on 2022 Financial Report (Draft) and the 2022 Work Report of the Board of Directors (Draft).

During the Reporting Period, the six committees[Note] under the Board of Directors convened a total of 40 meetings, considered and listened to 163 resolutions and reports, including Resolution on 2022 Annual Report and Annual Results Announcement (Draft) and the 2022 Report on Compliance Risk Management Assessment (Draft).

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.

THE BOARD OF SUPERVISORS

As at the date of this interim report, the Board of Supervisors comprised nine Supervisors. Pursuant to the Articles of Association, at least one-third of our Supervisors must be employee representatives elected at the employee representative meeting. Ms. Li Yan, Mr. Zhang Wenbin and Mr. Wei Xiangyang are elected at our employee representative meeting while other Supervisors are elected and appointed by our Shareholders at the Shareholders' general meeting. Each of the Supervisors elected at the employee representative meeting or by our Shareholders is appointed for a term of three years, which is eligible for re-election and re-appointment.

During the Reporting Period, the Board of Supervisors convened a total of three meetings and considered and approved 15 resolutions, including 2022 Work Report of the Board of Supervisors of SITC (Draft).

During the Reporting Period, with a view to being 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 supervisory methods to improve its effectiveness and pertinence so as to protect the interests of the Shareholders and the Company to further exercise its supervisory and counter balancing under the corporate governance of the Company.

By attending meetings of the Board of Directors and its special committees, general manager's office meetings and other relevant meetings, the Board of Supervisors gets informed of decisions of the Company and information about operation and management in detail, reviews and verifies the financial information, and continuously supervises Directors, Supervisors and senior management's lawful operation and decision-making procedures for major issues. It also reinforces its supervision over Directors, Supervisors, senior management as well as the execution of resolutions of the Shareholders' general meeting, the Board of Directors and the Board of Supervisors by carrying out investigations and studies, conducting visits and interviews and analysing relevant files. Pursuant to the relevant regulatory requirements, it conducted annual performance reviews, and issued evaluation reports on the performance of Directors, Supervisors and senior management.

Note:

The business decision committee under the Board of Directors ceased its establishment on 11 August 2023.

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 their relevant implementation reports carefully, and guided external audit work. 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. 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. In accordance with changes in regulatory policies and the development needs of the Company, the Board of Supervisors continued to improve its operational capability and supervision level by participating in training, work exchanges and self-learning; and organised annual performance evaluation work and supervised the performance of Supervisors.

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.

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 meetings of the Board of Directors. They have not acted against the laws, regulations and the Articles of Association nor have prejudiced the interests of the Company.

RISK MANAGEMENT AND INTERNAL CONTROL

Risk Management and Internal Control Systems

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

The internal control of the Company aims 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.

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

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

Internal Auditing

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

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

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

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

(1) the Company objectively evaluated the development of 2022 internal control system of the Company, carrying out the evaluation of internal controls in terms of control environment, risk assessments, control activities, information and communication and internal supervision of the Company. The Company provided remedial measures for the possible internal control deficiencies, constantly improving and streamlining the internal control system of the Company;

(2) the Company conducted targeted audit on the compliance and development of the Company's off-site business departments, focusing on the compliance and development of trust projects in due diligence, business approval, contract review and signing, prior reporting, project establishment, project duration management, etc: and

(3) the Company conducted targeted audit on the compliance and development of the Company's capital market department, focusing on the decision-making process, securities investment transactions, post-investment management of trust projects, etc.

During the Reporting Period, the Board of Directors has reviewed the Group's risk management and internal control systems and considered them adequate and effective.

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 of Directors may consider important. Profit distribution of the Company shall not exceed the amount of cumulative distributable profit. Any proposed distribution of dividends shall be formulated by our Board of Directors and will be subject to approval of general meeting.

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

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

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

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

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

In view of the fact that the Company mainly conducts its business in mainland China and for the sake of facilitating the understanding and provision of more concise and understandable accounting information to users of the financial statements (including domestic and overseas investors), the Board of Directors proposed to change the basis of preparation of the financial statements of the Company from both IFRS and CASBE and the applicable laws and regulations to CASBE and the applicable laws and regulations only. The proposed adoption of CASBE and the relevant amendments to the Articles of Association have been considered and approved by the Shareholders at the 2022 annual general meeting held on 14 June 2023 and and became effective since 11 August 2023 when the Shandong Office of the National Administration of Financial Regulation approved the relevant amendments to the Articles of Association..

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

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

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

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

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

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

In view of the aforesaid changes in the basis of preparation of the financial statements, the Company also proposes to amend the relevant provisions of the Articles of Association in relation to the preparation of the financial statements of the Company to comply with CASBE and the applicable laws and regulations. In addition to the proposed change in the basis of preparation of the financial statements, the Board also proposed to amend the relevant provisions of the Articles of Association in respect of the following matters: (i) specifying the time limit for Shareholders to notify the Company in writing under specified circumstances in accordance with the Interim Measures for the Equity Management of Trust Companies; (ii) in order to strengthen the prior control of major events of the Company, improve the corporate governance structure and enhance the quality and efficiency of decision-making of the Company, the Company intends to cease the establishment of the business decision committee of the Board of Directors and adjust the Procedural Rules for the Board of Directors with reference to the requirements of corporate governance of state-owned enterprises and industry regulatory policies; and (iii) the amendments to the Articles of Association in accordance with the opinion of the Shandong Office of CBIRC (the "**Proposed Amendments to the Articles of Association**"). The Proposed Amendments to the Articles of Association were considered and approved by the Shareholders at the 2022 annual general meeting held on 14 June 2023, and approved by the Shandong Office of the National Administration of Financial Regulation on 11 August 2023.

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

CHANGE OF OVERSEAS AUDITOR

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

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

MATERIAL LEGAL PROCEEDINGS AND ARBITRATION

As at 30 June 2023, the Company, being the plaintiff and applicant, was involved in 10 pending material litigations or arbitration cases, of which the amount in dispute was more than RMB10 million; the value of the litigation or arbitration cases in which the Company was involved totalled approximately RMB3,067.3 million. These cases were mainly brought by the Company against the relevant counterparty clients due to their failure to repay the loans granted by the Company's trusts.

As at 30 June 2023, the Company, being the defendant and respondent, were involved in two pending material litigation or arbitration cases, of which the amount in dispute was more than RMB10 million; the value of the litigation or arbitration cases in which the Company was involved totalled approximately RMB166.9 million. These cases was mainly contractual disputes.

MATERIAL DISPOSAL OF ASSETS

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

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

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

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

CONTINUING CONNECTED TRANSACTIONS – REVISE THE EXISTING ANNUAL CAPS UNDER THE LUCION GROUP TRUST FRAMEWORK AGREEMENT

On 30 November, 2022, the Company renewed the Lucion Group Trust Framework Agreement with Lucion Group for a period of three years, from 1 January 2023 to 31 December 2025. The Board of Directors considered revising and increasing the existing annual caps under the Lucion Group Trust Framework Agreement for each of the three years from 1 January 2023 to 31 December 2025, being, (i) the trustee's remuneration received from the trusts of Lucion Group and/or its associates as the trustor, and (ii) the maximum balance of assets and funds to be entrusted by Lucion Group and/or its associates, from RMB65 million and RMB6.5 billion to RMB120 million and RMB12 billion, respectively.

Since Lucion Group is the controlling shareholder of the Company, Lucion Group is a connected person of the Company under the Listing Rules. As such, the transactions contemplated under the Lucion Group Trust Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Under Rule 14A.54(1), in the event the Company intend to revise the annual cap of the continuing connected transaction, it must re-comply with the provisions related to the continuing connected transaction under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio in respect of the transactions to be contemplated under the Lucion Group Trust Framework Agreement exceeds 5%, the revision of the existing annual caps is subject to the reporting, announcement, annual review, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

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

On 19 June 2023, the Shandong Office of CBIRC issued the Administrative Penalty Decision (Lu Yin Bao Jian Fei Jue Zi [2023] No. 84) to the Company, imposing the following administrative penalty on the Company: failure to take corrective measures to rectify problems discovered by supervision with a fine of RMB400,000. The Company has paid the above fine.

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

IMPLEMENTATION OF EQUITY INCENTIVE PLAN

During the Reporting Period, the Company did not implement any equity incentive plan.

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.

MAJOR CLIENTS AND SUPPLIERS

During the Reporting Period, the aggregate trustee's 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 Shareholders 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 businesses.

MODEL CODE FOR CONDUCTING SECURITIES TRANSACTIONS

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

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

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.

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

During the Reporting Period, none of the Directors, Supervisors, chief executive of the Company 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.

PROVISIONAL REPORT ON MATERIAL ISSUES

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

AUDIT COMMITTEE

The Audit Committee has reviewed the interim results of the Company for the six months ended 30 June 2023 and the financial statements for the six months ended 30 June 2023 prepared in accordance with CASBE.

EVENTS AFTER THE REPORTING PERIOD

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

Report on Review of Interim Financial Information

信永中和
ShineWing

信永中和会计师事务所
ShineWing
certified public accountants

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Review Report

XYZH/2023JNAA3B0502

To the Shareholders of Shandong International Trust Co., Ltd.:

We have reviewed the attached financial statements of Shandong International Trust Co., Ltd. (hereinafter referred to as the "**SITC**" or "**Company**"), which comprise the consolidated and parent company's balance sheet as at 30 June 2023, the consolidated and the parent company's income statement, the cash flow statement and the statement of changes in shareholders' equity from January to June 2023 and the notes to the financial statements. The management of SITC is responsible for the preparation and presentation of these financial statements. Our responsibility is to issue the review report on these financial statement base on our review.

We conducted our review in accordance with the provisions of "Review Standards for Chinese Certified Public Accountants No. 2101 – Review of Financial Statements". The standards require us to plan and conduct the review to obtain limited assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to making inquiries of personnel of the Company and conducting analytical procedures to financial data, and thus providing less assurance than audit. We have not conducted an audit and therefore do not express an audit opinion.

According to our review, we have not noticed anything that makes us to believe that the financial statements, in all material respects, have not been prepared in have not been prepared accordance with the Accounting Standards for Business Enterprises the consolidated and have failed to fairly reflect the consolidated and parent company's financial position as at 30 June 2023 and the consolidated and parent company's results of operations and cash flows from January to June 2023 of SITC.

Shine Wing Certified Public Accountants LLP	*China Certified Public Accountants:*
	Wang Gongyong
	China Certified Public Accountants:
	Guo Lechao
Beijing, China	29 August 2023

Consolidated Balance Sheet

30 June 2023

Prepared by: Shareholders of Shandong International Trust Co., Ltd. Unit: RMB

Item	Note	30 June 2023	31 December 2022
Assets:			
Monetary assets	VI·1	249,949,949.65	2,240,590,484.12
Clearing settlement funds			
Precious metal			
Interbank lendings			
Derivative financial assets			
Accounts receivable	VI·2	164,390,541.58	148,127,333.84
Prepayments	VI·3	32,204,721.16	29,378,525.80
Other receivables			
Including: Interest receivable			
Dividend receivables			
Contract assets			
Financial assets purchased under agreements to resell	VI·4	499,593,539.24	357,260,491.66
Assets classified as held for sale	VI·5		675,177,700.00
Loans and advances to customers	VI·6	2,022,660,837.69	1,023,971,094.19
Financial Investments:			
Financial assets held for trading	VI·7	4,897,894,398.20	4,082,960,835.53
Debt investments	VI·8	3,766,589,071.42	3,832,734,832.93
Other debt investments			
Other equity instrument investments			
Long-term equity investments	VI·9	863,043,317.96	903,107,179.86
Investment properties	VI·10	135,725,550.35	137,608,274.04
Fixed assets	VI·11	124,923,299.48	127,797,634.76
Construction in progress			
Right-of-use assets	VI·12	60,403,268.83	69,561,255.56
Intangible assets	VI·13	26,118,049.47	29,095,856.02
Long-term amortisation expenses	VI·14	26,893,028.76	31,411,425.43
Deferred income tax assets	VI·15	604,704,481.26	558,385,133.18
Other assets	VI·16	229,260,459.65	210,964,215.86
Total assets		13,704,354,514.70	14,458,132,272.78

Item	Note	30 June 2023	31 December 2022
Liabilities:			
Short-term borrowings	VI·17	**703,876,406.25**	2,005,323,555.59
Interbank borrowings			
Financial liabilities held for trading			
Derivative financial liabilities			
Financial assets sold under agreements to repurchase			
Employment benefits payable	VI·18	**115,760,691.94**	84,252,667.37
Taxes payable	VI·19	**83,967,594.96**	270,195,144.91
Other payables			
Receipt in advance			
Contract liabilities	VI·20	**25,356,707.65**	36,220,691.99
Liabilities held for sale			
Long-term borrowings			
Bonds payable			
Including: Preferred shares			
Perpetual bonds			
Lease liabilities	VI·21	**51,694,015.85**	60,356,150.44
Provisions	VI·22	**114,430,547.95**	
Deferred income tax liabilities	VI·15		
Other liabilities	VI·23	**1,499,787,206.14**	1,067,516,190.93
Total liabilities		**2,594,873,170.74**	3,523,864,401.23

Item	Note	30 June 2023	31 December 2022
Shareholders' equity:			
Paid up capital	VI·24	4,658,850,000.00	4,658,850,000.00
Other equity instruments			
Including: Preferred shares			
Perpetual bonds			
Capital reserve	VI·25	160,049,183.05	160,049,183.05
Less: Treasury shares			
Other comprehensive income	VI·26	-1,594,245.00	-1,730,541.86
Surplus reserve	VI·27	979,430,230.51	979,430,230.51
Trust compensation provision	VI·28	729,761,464.80	729,761,464.80
General risk provision	VI·28	524,007,943.40	524,007,943.40
Undistributed profit	VI·29	4,058,976,767.20	3,883,899,591.65
Total shareholders' equity attributable to the parent company		11,109,481,343.96	10,934,267,871.55
Non-controlling interests			
Total shareholders' equity		11,109,481,343.96	10,934,267,871.55
Total liabilities and shareholders' equity		13,704,354,514.70	14,458,132,272.78

Legal Representative: Person in charge of accounting function: Person in charge of accounting department:

Balance Sheet of the Parent Company

30 June 2023

Prepared by: Shareholders of Shandong International Trust Co., Ltd. Unit: RMB

Item	Note	30 June 2023	31 December 2022
Assets:			
Monetary assets		**180,493,147.30**	2,208,303,414.59
Clearing settlement funds			
Precious metal			
Interbank lendings			
Derivative financial assets			
Accounts receivable		**184,631,794.34**	149,697,751.77
Prepayments		**32,204,721.16**	29,378,525.80
Other receivables			
Including: Interest receivable			
Dividend receivables			
Contract assets			
Financial assets purchased under agreements to resell		**499,593,539.24**	327,220,863.86
Assets classified as held for sale			675,177,700.00
Loans and advances to customers	XVII·1	**112,799,148.99**	107,579,532.54
Financial Investments:			
Financial assets held for trading	XVII·2	**4,809,966,047.14**	3,914,381,945.07
Debt investments	XVII·3	**3,766,589,071.42**	3,832,734,832.93
Other debt investments			
Other equity instrument investments			
Long-term equity investments	XVII·4	**2,305,663,988.05**	1,838,851,277.07
Investment properties			
Fixed assets		**124,923,299.48**	127,797,634.76
Construction in progress			
Right-of-use assets		**62,794,168.03**	72,976,825.83
Intangible assets		**26,118,049.47**	29,095,856.02
Long-term amortisation expenses		**26,893,028.76**	31,411,425.43
Deferred income tax assets		**628,620,853.20**	582,174,257.09
Other assets		**146,578,560.38**	139,113,339.77
Total assets		**12,907,869,416.96**	14,065,895,182.53

Item	Note	30 June 2023	31 December 2022
Liabilities:			
Short-term borrowings		**703,876,406.25**	2,005,323,555.59
Interbank borrowings			
Financial liabilities held for trading			
Derivative financial liabilities			
Financial assets sold under agreements to repurchase			
Employment benefits payable		**115,760,691.94**	84,252,667.37
Taxes payable		**76,595,889.39**	263,609,724.40
Other payables			
Including: Interest receivable			
Dividend receivables			
Accounts payable			
Receipt in advance			
Contract liabilities		**25,356,707.65**	36,220,691.99
Liabilities held for sale			
Long-term borrowings			
Bonds payable			
Including: Preferred shares			
Perpetual bonds			
Lease liabilities		**53,829,546.54**	63,520,120.79
Estimated liabilities		**114,430,547.95**	
Deferred income tax liabilities			
Other liabilities		**780,287,399.09**	750,067,922.56
Total liabilities		**1,870,137,188.81**	3,202,994,682.70

Item	Note	30 June 2023	31 December 2022
Shareholders' equity:			
Paid up capital		**4,658,850,000.00**	4,658,850,000.00
Other equity instruments			
Including: Preferred shares			
Perpetual bonds			
Capital reserve		**160,049,183.05**	160,049,183.05
Less: Treasury shares			
Other comprehensive income		**-1,594,245.00**	-1,730,541.86
Surplus reserve		**979,430,230.51**	979,430,230.51
Trust compensation provision		**729,761,464.80**	729,761,464.80
General risk provision		**524,007,943.40**	524,007,943.40
Undistributed profit		**3,987,227,651.39**	3,812,532,219.93
Total shareholders' equity		**11,037,732,228.15**	10,862,900,499.83
Total liabilities and shareholders' equity		**12,907,869,416.96**	14,065,895,182.53

Legal Representative: Person in charge of accounting function: Person in charge of accounting department:

Consolidated Income Statement

January to June 2023

Prepared by: Shareholders of Shandong International Trust Co., Ltd. Unit: RMB

Item	Note	January to June 2023	January to June 2022
I. Total operating income		**836,157,364.37**	805,699,876.65
Net Interest Income	VI·30	**35,014,025.25**	-21,036,860.77
Including: Interest income	VI·30	**75,332,384.05**	37,600,576.38
Interest expense	VI·30	**40,318,358.80**	58,637,437.15
Net fee and commission income	VI·31	**418,611,671.63**	515,606,535.34
Including: Fee and commission income	VI·31	**421,228,725.81**	519,484,471.58
Fee and commission expenses	VI·31	**2,617,054.18**	3,877,936.24
Investment income (losses indicated in "-")	VI·32	**133,774,950.24**	227,917,843.35
Including: Income from investment in associates and joint ventures		**10,152,591.24**	191,254,365.92
Net exposure hedging income (losses indicated in "-")			
Other income			
Gains from changes in fair value (losses indicated in "-")	VI·33	**212,071,055.06**	35,870,000.67
Gains from changes in net assets attributable to third-party investors in consolidated structured entities (losses indicated in "-")	VI·34	**31,763,513.05**	46,026,020.78
Exchange gain (losses indicated in "-")	VI·35	**0.34**	0.42
Other operating income	VI·36	**4,899,395.52**	1,316,336.86
Gains on disposal of assets (losses indicated in "-")	VI·37	**22,753.28**	
II. Total operating costs		**447,435,774.27**	1,501,525,661.58
Tax and surcharges	VI·38	**5,193,112.60**	6,199,183.84
Business and administrative expenses	VI·39	**163,970,832.11**	147,673,633.04
Credit impairment losses	VI·40	**278,020,439.58**	1,347,287,292.44
Impairment losses on other assets			
Other operating costs	VI·41	**251,389.98**	365,552.26
III. Operating profit (losses indicated in "-")		**388,721,590.10**	-695,825,784.93
Add: Non-operating income	VI·42	**2,922,007.48**	364,245.48
Less: Non-operating expenses	VI·43	**115,721,630.92**	403,552.00
IV. Total profit (total losses indicated in "-")		**275,921,966.66**	-695,865,091.45
Less: Income tax expenses	VI·44	**100,844,791.11**	-221,593,375.75

Item	Note	January to June 2023	January to June 2022
V. Net profit (net loss indicated in "-")		**175,077,175.55**	-474,271,715.70
(I) Categorised by the nature of continuing operations		**175,077,175.55**	-474,271,715.70
1. Net profit from continuing operations (net loss indicated in "-")		**175,077,175.55**	-474,271,715.70
2. Net profit from discontinued operations (net loss indicated in "-")			
(II) Categorised by ownership:		**175,077,175.55**	-474,271,715.70
1. Net profit attributable to owner of the parent company (net loss indicated in "-")		**175,077,175.55**	-474,271,715.70
2. Profit or loss attributable to non-controlling interests (net loss indicated in "-")			
VI. Other comprehensive income, net of tax		**136,296.86**	-3,198,789.78
Other comprehensive income attributable to the owner of the parent company, net of tax		**136,296.86**	-3,198,789.78
(I) Other comprehensive income that cannot be reclassified to profit or loss			
1. Changes from recalculation of defined benefit plans			
2. Other comprehensive income that cannot be reclassified to profit or loss under equity method			
3. Change in fair value of other equity instrument investments			
4. Change in fair value of credit risk of corporate			
5. Other			
(II) Other comprehensive income that will be reclassified to profit or loss		**136,296.86**	-3,198,789.78
1. Other comprehensive income that can be reclassified to profit or loss under equity method		**136,296.86**	-3,198,789.78
2. Change in fair value of other debt investments			
3. Financial assets reclassified into other comprehensive income			
4. Credit impairment provision for other debt investments			
5. Hedging reserves from cash flows (effective part of cash flow hedging profit or loss)			
6. Differences on translation of foreign currency financial statements			
7. Other			
Other comprehensive income attributable to non-controlling interests, net of tax			

Item	Note	January to June 2023	January to June 2022
VII. Total comprehensive income		**175,213,472.41**	-477,470,505.48
Total comprehensive income attributable to the shareholders of the parent company		**175,213,472.41**	-477,470,505.48
Total comprehensive income attributable to non-controlling interests			
VIII. Earnings per share:			
(I) Basic earnings per share (RMB/share)		**0.04**	-0.10
(II) Diluted earnings per share (RMB/share)		**0.04**	-0.10

Legal Representative:	Person in charge of accounting function:	Person in charge of accounting department:

Income Statement of the Parent Company

January to June 2023

Prepared by: Shareholders of Shandong International Trust Co., Ltd. Unit: RMB

Item	Note	January to June 2023	January to June 2022
I. Total operating income		**797,021,412.41**	699,874,716.31
Net Interest Income	XVII·5	**-5,349,645.35**	-41,593,710.21
Including: Interest income	XVII·5	**24,637,958.14**	12,659,448.62
Interest expense	XVII·5	**29,987,603.49**	54,253,158.83
Net fee and commission income	XVII·6	**429,282,057.35**	540,395,139.13
Including: Fee and commission income	XVII·6	**431,899,111.53**	544,273,075.37
Fee and commission expenses	XVII·6	**2,617,054.18**	3,877,936.24
Investment income (losses indicated in "-")	XVII·7	**158,119,577.57**	204,313,399.20
Including: Income from investment in associates and joint ventures		**10,152,591.24**	191,254,365.92
Net exposure hedging income (losses indicated in "-")			
Other income			
Gains from changes in fair value (losses indicated in "-")	XVII·8	**210,386,184.21**	-4,556,429.09
Exchange gain (losses indicated in "-")		**0.34**	0.42
Other operating income		**4,560,485.01**	1,316,316.86
Gains on disposal of assets (losses indicated in "-")		**22,753.28**	
II. Total operating costs		**408,808,814.42**	1,415,905,181.16
Tax and surcharges		**4,734,003.10**	5,642,210.84
Business and administrative expenses		**153,589,425.23**	144,852,697.43
Credit impairment losses		**250,233,996.11**	1,265,044,720.63
Impairment losses on other assets			
Other operating costs		**251,389.98**	365,552.26
III. Operating profit (losses indicated in "-")		**388,212,597.99**	-716,030,464.85
Add: Non-operating income		**2,922,007.47**	364,245.48
Less: Non-operating expenses		**115,721,630.92**	403,552.00
IV. Total profit (total losses indicated in "-")		**275,412,974.54**	-716,069,771.37
Less: Income tax expenses		**100,717,543.08**	-226,644,545.73

Item	Note	January to June 2023	January to June 2022
V. Net profit (net loss indicated in "-")		**174,695,431.46**	-489,425,225.64
(I) Net profit from continuing operations (net loss indicated in "-")		**174,695,431.46**	-489,425,225.64
(II) Net profit from discontinued operations (net loss indicated in "-")			
VI. Other comprehensive income, net of tax		**136,296.86**	-3,198,789.78
(I) Other comprehensive income that cannot be reclassified to profit or loss			
1. Changes from recalculation of defined benefit plans			
2. Other comprehensive income that cannot be reclassified to profit or loss under equity method			
3. Change in fair value of other equity instrument investments			
4. Change in fair value of credit risk of corporate			
5. Other			
(II) Other comprehensive income that will be reclassified to profit or loss		**136,296.86**	-3,198,789.78
1. Other comprehensive income that can be reclassified to profit or loss under equity method		**136,296.86**	-3,198,789.78
2. Change in fair value of other debt investments			
3. Financial assets reclassified into other comprehensive income			
4. Credit impairment provision for other debt investments			
5. Hedging reserves from cash flows (effective part of cash flow hedging profit or loss)			
6. Differences on translation of foreign currency financial statements			
7. Other			
VII. Total comprehensive income		**174,831,728.32**	-492,624,015.42
VIII. Earnings per share:			
(I) Basic earnings per share (RMB/share)			
(II) Diluted earnings per share (RMB/share)			

Legal Representative: Person in charge of accounting function: Person in charge of accounting department:

Consolidated Cash Flow Statement

January to June 2023

Prepared by: Shareholders of Shandong International Trust Co., Ltd. Unit: RMB

Item	Note	January to June 2023	January to June 2022
I. Cash flows from operating activities:			
Interest, fee and commission income charged		480,481,838.98	591,504,293.38
Net decrease in financial assets purchased under agreements to resell			
Net decrease in loans and advances to customers		103,970,000.00	501,670,413.24
Net decrease in financial assets held for trading			
Other cash received from operating activities		281,570,235.98	344,030,831.26
Subtotal of cash inflows from operating activities		866,022,074.96	1,437,205,537.88
Interest, fee and commission income paid		295,711.75	25,918.34
Net increase in financial assets purchased under agreements to resell		142,501,047.58	411,217,635.67
Net increase in financial assets held for trading		602,862,507.61	548,993,002.72
Net increase in debt investments		132,534,030.44	1,063,996,178.87
Cash paid to and on behalf of employees		66,341,679.52	66,801,537.15
Tax payments		366,695,233.60	147,465,089.69
Net decrease in net assets attributable to the third-party investors in consolidated structured entities		161,425,039.88	2,825,952,646.21
Other cash paid for operating activities		271,859,487.00	632,808,207.97
Subtotal of cash outflows from operating activities		1,744,514,737.38	5,697,260,216.62
Net cash flow from operating activities		-878,492,662.42	-4,260,054,678.74
II. Cash flows from investing activities:			
Cash received from disposal of investments		900,287,051.82	2,852,200,939.30
Cash received from return of investments		781,250.00	241,051,364.08
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		81,558.16	
Other cash received from investing activities			
Subtotal of cash inflows from investing activities		901,149,859.98	3,093,252,303.38
Cash paid for the acquisition and construction of fixed assets, intangible assets and other long-term assets		15,269,186.55	7,933,119.21
Cash paid for investments		768,366,807.14	559,700,000.00
Other cash paid for investing activities			
Subtotal of cash outflows from investing activities		783,635,993.69	567,633,119.21
Net cash flows from investing activities		117,513,866.29	2,525,619,184.17

Item	Note	January to June 2023	January to June 2022
III. Cash flows from financing activities:			
Cash received from investments			
Cash received from borrowings		**702,500,000.00**	2,000,000,000.00
Other cash received from financing activities			
Subtotal of cash inflows from financing activities		**702,500,000.00**	2,000,000,000.00
Cash paid for the repayments of debts		**2,000,000,000.00**	1,600,000,000.00
Cash paid for the distribution of dividends and profits		**32,127,770.38**	52,399,777.77
Cash paid for the repayment of interest		**15,033,968.30**	13,662,000.00
Subtotal of cash outflows from financing activities		**2,047,161,738.68**	1,666,061,777.77
Net cash flow from financing activities		**-1,344,661,738.68**	333,938,222.23
IV. Effect of exchange rate changes on cash and cash equivalents		**0.34**	0.42
V. Net increase in cash and cash equivalents		**-2,105,640,534.47**	-1,400,497,271.92
Add: Opening balance of cash and cash equivalents		**2,240,590,484.12**	1,586,595,589.20
VI. Closing balance of cash and cash equivalents		**134,949,949.65**	186,098,317.28

Legal Representative: Person in charge of accounting function: Person in charge of accounting department:

Cash Flow Statement of the Parent Company

January to June 2023

Prepared by: Shareholders of Shandong International Trust Co., Ltd. Unit: RMB

Item	Note	January to June 2023	January to June 2022
I. Cash flows from operating activities:			
Interest, fee and commission income charged		453,705,338.49	620,308,968.55
Net decrease in financial assets purchased under agreements to resell			
Net decrease in loans and advances to customers			
Other cash received from operating activities		144,704,783.24	162,095,974.07
Subtotal of cash inflows from operating activities		598,410,121.73	782,404,942.62
Interest, fee and commission income paid		295,711.75	25,918.34
Net increase in financial assets purchased under agreements to resell		172,540,675.38	411,217,635.67
Net increase in debt investments		132,534,030.44	3,306,645,178.87
Net increase in loans and advances to customers			
Net increase in financial assets held for trading		585,780,586.28	504,412,734.18
Cash paid to and on behalf of employees		66,341,679.52	66,801,537.15
Tax payments		363,980,743.61	146,830,292.40
Other cash paid for operating activities		235,646,937.13	1,155,375,392.15
Subtotal of cash outflows from operating activities		1,557,120,364.11	5,591,308,688.76
Net cash flow from operating activities		-958,710,242.38	-4,808,903,746.14
II. Cash flows from investing activities:			
Cash received from disposal of investments		956,385,551.82	3,489,240,888.78
Cash received from return of investments		781,250.00	237,701,364.08
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		81,558.16	
Other cash received from investing activities			
Subtotal of cash inflows from investing activities		957,248,359.98	3,726,942,252.86
Cash paid for the acquisition and construction of fixed assets, intangible assets and other long-term assets		15,269,186.55	7,933,119.21
Cash paid for investments		781,417,460.00	559,700,000.00
Other cash paid for investing activities			
Subtotal of cash outflows from investing activities		796,686,646.55	567,633,119.21
Net cash flows from investing activities		160,561,713.43	3,159,309,133.65

Item	Note	January to June 2023	January to June 2022
III. Cash flows from financing activities:			
Cash received from investments			
Cash received from borrowings		**702,500,000.00**	2,000,000,000.00
Other cash received from financing activities			
Subtotal of cash inflows from financing activities		**702,500,000.00**	2,000,000,000.00
Cash paid for the repayments of debts		**2,000,000,000.00**	1,600,000,000.00
Cash paid for the distribution of dividends and profits			
Cash paid for the repayment of interest		**32,127,770.38**	52,399,777.77
Other cash paid for financing activities		**15,033,968.30**	13,662,000.00
Subtotal of cash outflows from financing activities		**2,047,161,738.68**	1,666,061,777.77
Net cash flow from financing activities		**-1,344,661,738.68**	333,938,222.23
IV. Effect of exchange rate changes on cash and cash equivalents		**0.34**	0.42
V. Net increase in cash and cash equivalents		**-2,142,810,267.29**	-1,315,656,389.84
Add: Opening balance of cash and cash equivalents		**2,208,303,414.59**	1,376,927,179.84
VI. Closing balance of cash and cash equivalents		**65,493,147.30**	61,270,790.00

Legal Representative: Person in charge of accounting function: Person in charge of accounting department:

Consolidated Statement of Changes in Equity

January to June 2023

Prepared by: Shareholders of Shandong International Trust Co., Ltd.

Unit: RMB

Item	January to June 2023														
	Shareholders' equity attributable to the parent company														
		Other equity instruments													
	Share capital	Preferred shares	Perpetual bonds	Others	Capital reserve	Less: treasury shares	Other comprehensive income	Surplus reserve	Trust compensation provision	General risk provision	Undistributed profit	Other	Subtotal	Minority interests	Total equity
I. Balance at the end of last year	4,658,850,000.00				160,049,183.05		-1,730,541.86	979,430,230.51	729,761,464.80	524,007,943.40	3,883,899,591.65		10,934,267,871.55		10,934,267,871.55
Add: Effects of changes in accounting policies															
Correction of prior errors															
Business combination under common control															
Others															
II. Balance at the beginning of the period	4,658,850,000.00				160,049,183.05		-1,730,541.86	979,430,230.51	729,761,464.80	524,007,943.40	3,883,899,591.65		10,934,267,871.55		10,934,267,871.55
III. Change for the period (decrease indicated in "-")							136,296.86				175,077,175.55		175,213,472.41		175,213,472.41
(I) Total comprehensive income							136,296.86				175,077,175.55		175,213,472.41		175,213,472.41
(II) Shareholders' contribution and decrease in capital															
1. Ordinary shares contribution from shareholders															
2. Capital contribution from owners of other equity instruments															
3. Share-based payments credited to shareholders' equity															
4. Others															
(III) Profit distribution															
1. Appropriation to surplus reserve															
2. Appropriation to general risk provision															
3. Distribution to shareholders															
4. Others															
(IV) Internal carry-forward of shareholders' equity															
1. Conversion of capital reserve to share capital															
2. Conversion of surplus reserve to share capital															
3. Making good of loss with surplus reserve															
4. Changes in defined benefit plans transferred to retained earnings															
5. Other comprehensive income transferred to retained earnings															
6. Others															
(V) Special reserve															
1. Amount withdrawn during the period															
2. Amount utilised during the period															
(VI) Others															
IV. Balance at the end of the period	4,658,850,000.00				160,049,183.05		-1,594,245.00	979,430,230.51	729,761,464.80	524,007,943.40	4,058,976,767.20		11,109,481,343.96		11,109,481,343.96

Consolidated Statement of Changes in Equity

January to June 2023

Item	2022 Shareholders' equity attributable to the parent company: Share capital	Other equity instruments: Preferred shares	Other equity instruments: Perpetual bonds	Other equity instruments: Others	Capital reserve	Less: treasury shares	Other comprehensive income	Surplus reserve	Trust compensation provision	General risk provision	Undistributed profit	Other	Subtotal	Minority interests	Total equity
I. Balance at the end of last year	4,658,850,000.00				160,049,183.05		-159,622.39	951,055,952.56	701,387,186.85	438,423,186.36	3,745,803,508.45		10,655,409,394.88		10,655,409,394.88
Add: Effects of changes in accounting policies															
Correction of prior errors															
Business combination under common control															
Others															
II. Balance at the beginning of the period	4,658,850,000.00				160,049,183.05		-159,622.39	951,055,952.56	701,387,186.85	438,423,186.36	3,745,803,508.45		10,655,409,394.88		10,655,409,394.88
III. Change for the period (decrease indicated in "-")							-1,570,919.47	28,374,277.95	28,374,277.95	85,584,757.04	138,096,083.20		278,858,476.67		278,858,476.67
(I) Total comprehensive income							-1,570,919.47				280,429,396.14		278,858,476.67		278,858,476.67
(II) Shareholders' contribution and decrease in capital															
1. Ordinary shares contribution from shareholders															
2. Capital contribution from owners of other equity instruments															
3. Share-based payments credited to shareholders' equity															
4. Others															
(III) Profit distribution								28,374,277.95	28,374,277.95	85,584,757.04	-142,333,312.94				
1. Appropriation to surplus reserve								28,374,277.95			-28,374,277.95				
2. Appropriation to Trust compensation provision									28,374,277.95	85,584,757.04	-113,959,034.99				
3. Distribution to shareholders															
4. Others															
(IV) Internal carry-forward of shareholders' equity															
1. Conversion of capital reserve to share capital															
2. Conversion of surplus reserve to share capital															
3. Making good of loss with surplus reserve															
4. Changes in defined benefit plans transferred to retained earnings															
5. Other comprehensive income transferred to retained earnings															
6. Others															
(V) Special reserve															
1. Amount withdrawn during the period															
2. Amount utilised during the period															
(VI) Others															
IV. Balance at the end of the period	4,658,850,000.00				160,049,183.05		-1,730,541.86	979,430,230.51	729,761,464.80	524,007,943.40	3,883,899,591.65		10,934,267,871.55		10,934,267,871.55

Legal Representative: Person in charge of accounting function: Person in charge of accounting department:

Statement of Changes in Equity of the Parent Company

January to June 2023

Prepared by: Shareholders of Shandong International Trust Co., Ltd.

Unit: RMB

Item	January to June 2023												
	Share capital	Other equity instruments: Preferred shares	Other equity instruments: Perpetual bonds	Other equity instruments: Others	Capital reserve	Less: treasury shares	Other comprehensive income	Surplus reserve	Trust compensation provision	General risk provision	Undistributed profit	Other	Total equity
I. Balance at the end of last year	4,658,850,000.00				160,049,183.05		-159,622.39	951,055,952.56	701,387,186.85	438,423,186.36	3,671,122,753.41		10,580,728,639.84
Add: Effects of changes in accounting policies													
Correction of prior errors													
Others													
II. Balance at the beginning of the year	4,658,850,000.00				160,049,183.05		-159,622.39	951,055,952.56	701,387,186.85	438,423,186.36	3,671,122,753.41		10,580,728,639.84
III. Change for the year (decrease indicated in "-")							136,296.86				174,695,431.46		174,831,728.32
(I) Total comprehensive income							136,296.86				174,695,431.46		174,831,728.32
(II) Shareholders' contribution and decrease in capital													
1. Ordinary shares contribution from shareholders													
2. Capital contribution from owners of other equity instruments													
3. Share-based payments credited to shareholders' equity													
4. Others													
(III) Profit distribution													
1. Appropriation to surplus reserve													
2. Appropriation to trust compensation provision													
3. Distribution to shareholders													
4. Others													
(IV) Internal carry-forward of shareholders' equity													
1. Conversion of capital reserve to share capital													
2. Conversion of surplus reserve to share capital													
3. Making good of loss with surplus reserve													
4. Changes in defined benefit plans transferred to retained earnings													
5. Other comprehensive income transferred to retained earnings													
6. Others													
(V) Special reserve													
1. Amount withdrawn during the year													
2. Amount utilised during the year													
(VI) Others													
IV. Balance at the end of the year	4,658,850,000.00				160,049,183.05		-23,325.53	951,055,952.56	701,387,186.85	438,423,186.36	3,845,818,184.87		10,755,560,368.16

Statement of Changes in Equity of the Parent Company

January to June 2023

Item	2022												
		Other equity instruments											
	Share capital	Preferred shares	Perpetual bonds	Others	Capital reserve	Less: treasury shares	Other comprehensive income	Surplus reserve	Trust compensation provision	General risk provision	Undistributed profit	Other	Total equity
I. Balance at the end of last year	4,658,850,000.00				143,286,310.99		-7,734,958.72	903,940,701.36	654,271,935.65	238,423,186.36	3,494,200,743.85		10,085,237,919.49
Add: Effects of changes in accounting policies													
Correction of prior errors													
Others													
II. Balance at the beginning of the year	4,658,850,000.00				143,286,310.99		-7,734,958.72	903,940,701.36	654,271,935.65	238,423,186.36	3,494,200,743.85		10,085,237,919.49
III. Change for the year (decrease indicated in "-")					16,762,872.06		7,575,336.33	47,115,251.20	47,115,251.20	200,000,000.00	176,922,009.56		495,490,720.35
(I) Total comprehensive income							7,575,336.33				471,152,511.96		478,727,848.29
(II) Shareholders' contribution and decrease in capital													
1. Ordinary shares contribution from shareholders													
2. Capital contribution from owners of other equity instruments													
3. Share-based payments credited to shareholders' equity													
4. Others													
(III) Profit distribution								47,115,251.20	47,115,251.20	200,000,000.00	-294,230,502.40		
1. Appropriation to surplus reserve								47,115,251.20			-47,115,251.20		
2. Appropriation to trust compensation provision									47,115,251.20	200,000,000.00	-247,115,251.20		
3. Distribution to shareholders													
4. Others													
(IV) Internal carry-forward of shareholders' equity													
1. Conversion of capital reserve to share capital													
2. Conversion of surplus reserve to share capital													
3. Making good of loss with surplus reserve													
4. Changes in defined benefit plans transferred to retained earnings													
5. Other comprehensive income transferred to retained earnings													
6. Others													
(V) Special reserve													
1. Amount withdrawn during the year													
2. Amount utilised during the year													
(VI) Others					16,762,872.06								16,762,872.06
IV. Balance at the end of the year	4,658,850,000.00				160,049,183.05		-159,622.39	951,055,952.56	701,387,186.85	438,423,186.36	3,671,122,753.41		10,580,728,639.84

Legal Representative: Person in charge of accounting function: Person in charge of accounting department:

I. BASIC INFORMATION ABOUT THE COMPANY

Shandong International Trust Co., Ltd. (the "**Company**") is a non-bank financial institution incorporated in Shandong Province, the People's Republic of China (the "**PRC**") on 10 March 1987 with the approval from People's Bank of China and Shandong Provincial Government.

The Company was transformed from a wholly state-owned company to a limited liability company in August 2002 and further transformed to a joint stock limited company in July 2015. The Company completed its public offering on 8 December 2017 and its shares were listed on The Stock Exchange of Hong Kong Limited on the same day. As at 30 June 2023, the amount of share capital was RMB4,658,850,000 with a par value of RMB1 per share.

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

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

Legal representative: Wan Zhong (萬眾)

Registered capital: RMB4,658.85 million

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

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

II. SCOPE OF CONSOLIDATION OF FINANCIAL STATEMENTS

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

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

III. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

(1) Basis of preparation

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

(2) Going concern

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

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

1. Statement of Compliance with the ASBE

The financial statements are prepared by the Company in accordance with ASBE, and present truly and completely, the Company and the Group's financial position, results of operations and cash flows.

2. Accounting Period

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

3. Operation Cycle

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

4. Functional Currency

The Group uses RMB as its functional currency.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

5. Preparation of Consolidated Financial Statements

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

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

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

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

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

When determining whether to consolidate structured entities, the Group assesses whether it has power over the structured entities; is exposed or has rights to variable returns from its involvement with the investee and has the ability to affect its returns through its power over the investee in accordance with the contractual terms, Details of consolidated structured entities are set out in Note 8(2). Interests attributable to third-party beneficiaries in fixed maturity and redeemable instruments are presented as other liabilities in the consolidated balance sheet. Changes in profit or loss attributable to third-party beneficiaries under the consolidated financing trust schemes are presented as interest expenses in the consolidated income statement, and changes in profit or loss attributable to third-party beneficiaries under the consolidated investment trust schemes are presented as changes in net assets attributable to third-party investors in consolidated structured entities in the consolidated income statement.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

6. Cash and Cash Equivalents

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

7. Transactions Denominated in Foreign Currencies

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

8. Financial Assets and Financial Liabilities

Measurement: amortised cost and effective interest rate

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

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

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

8. Financial Assets and Financial Liabilities (Continued)

Initial recognition and measurement:

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

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

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

(1) Financial assets

1) Classification and subsequent measurement of financial assets

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

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

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

8. Financial Assets and Financial Liabilities (Continued)

(1) Financial assets (Continued)

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

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 accounts receivable.

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

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

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

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

8. Financial Assets and Financial Liabilities (Continued)

(1) Financial assets (Continued)

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

Debt instruments (Continued)

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

① Amortised cost: the financial assets are measured at amortised cost if the assets are managed within a business model with an objective to collect contractual cash flows that are solely payments of principal and interest and are not designated at FVTPL. The carrying amount of the assets are adjusted based on the provisions for ECL. Interest income from the asset is included in "interest income" using the effective interest rate method.

② FVTOCI: the financial assets are measured at FVTOCI if the assets are managed within a business model with an objective to both collect contractual cash flows that are solely payments of principal and interest and sell the financial assets, and are not designated at FVTPL. Except for the recognition of impairment gains or losses on the amortised cost of financial assets, interest income and foreign exchange gains or losses in profit and loss, changes in the carrying amount are taken through OCI. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised as "investment income". Interest income from the asset is included in "interest income" using the effective interest rate method.

③ FVTPL: Assets that do not meet the criteria for amortised cost or FVTOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL and is not part of a hedging relationship is recognised in profit or loss and presented in the statement of profit or loss within "fair value gains or losses" in the period in which it arises, unless it arises from non-trading debt instruments that are designated at fair value, in which case it is presented separately in "investment income".

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

8. Financial Assets and Financial Liabilities (Continued)

(1) Financial assets (Continued)

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

Equity Instrument

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

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

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

2) Impairment

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

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

8. Financial Assets and Financial Liabilities (Continued)

(1) Financial assets (Continued)

3) Modification of loan contracts

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

① When a contract modification occurs where the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay.

② Whether any substantial new terms are introduced, such as the addition of profit sharing/equity-based return that resulted in substantial changes to the risk characteristics of the contract.

③ Significant extension of the loan term when the borrower is not in financial difficulty.

④ Significant change in the interest rates.

⑤ Change in the currency of the loan.

⑥ Insertion of guarantee or other credit enhancements that significantly affect the credit risk associated with the loan.

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

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

8. Financial Assets and Financial Liabilities (Continued)

(1) Financial assets (Continued)

4) Derecognition other than modification

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

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

① has no obligation to pay the cash flows to the ultimate recipient unless it receives the equivalent cash flows from the financial asset;

② is prohibited from selling or pledging the financial assets;

③ has the obligation to transfer all cash flows received from the financial assets to the ultimate recipient as soon as possible.

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

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

8. Financial Assets and Financial Liabilities (Continued)

(2) Financial liabilities

1) Classification, recognition basis and measurement of financial liabilities

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

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

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

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

2) Conditions for derecognition of financial liabilities

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

8. Financial Assets and Financial Liabilities (Continued)

(2) Financial liabilities (Continued)

3) Determination of fair value of financial assets and financial liabilities

The fair value of the Group's financial assets and financial liabilities are measured at the price in the principal market. If there is no principal market, the fair value of the financial assets and financial liabilities are measured at the price in the most advantageous market and using the valuation techniques that are appropriate at the time and with sufficient available data and other information. The inputs used in the fair value measurement are divided into three levels: Level 1 inputs are the unadjusted quoted price in active markets for identical assets or liabilities that can be obtained on the measurement date; Level 2 inputs are the directly or indirectly observable inputs of relevant assets or liabilities other than those within Level 1 inputs; Level 3 inputs are the unobservable inputs of relevant assets or liabilities. T The Level 1 inputs are the first priority to use by the Group, and level 3 inputs will be the last one to use. The level to which the results of measurement of fair value belong is subject to the lowest level to which the inputs having great significance to the measurement of fair value as whole belong.

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

4) Offset of financial assets and financial liabilities

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

5) Purchase under resale agreements and sale under repurchase agreements

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

9. Long-term Equity Investments

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

(1) Subsidiaries

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

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

(2) Associates

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

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

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

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

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

(All amounts are presented in RMB except otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

10. Fixed Assets

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

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

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

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

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

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

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

11. Right-of-use Assets

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

(1) Initial measurement

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

(2) Subsequent measurement

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

Depreciation of right-of-use assets

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

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

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

Impairment of right-of-use assets

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

12. Intangibles

The intangible assets of the Group include software, etc., which are measured at the actual cost at the time of acquisition. For purchased intangible assets, the actual price paid and relevant other expenses are taken as the actual cost. For intangible assets invested by investors, the actual cost is determined according to the value agreed in the investment contract or agreement. If the value agreed in the contract or agreement is not fair, the actual cost is determined according to the fair value.

For intangible assets with definite useful lives, it is amortised systematically and reasonably in accordance with the expected realisation method of economic benefits related to the intangible asset within its useful life. If the expected realisation method cannot be reliably determined, it is amortised using the straight-line method. The specific terms are as follows:

Item	Amortisation term (years)
Software	5

For intangible assets with definite useful lives, an impairment is provided for based on the excess of the carrying amount over the recoverable amount when there is evidence at the balance sheet date that the intangible assets are impaired. For intangible assets with indefinite useful lives and those not ready for use, an impairment test is performed each year, irrespective of whether there is evidence of impairment.

13. Investment Property

Investment properties of the Group are properties held to earn rentals or for capital appreciation or both. Investment properties are initially measured at cost. Subsequent expenditures incurred for an investment property are included in the cost of the investment property if it is probable that the economic benefits associated with the asset will flow to the Group and its cost can be measured reliably. Other subsequent expenditures are recognised in profit or loss for the current the period in which they are incurred.

The Group adopts the cost model for subsequent measurement of investment properties, and depreciates or amortises them in accordance with the policies consistent with that of buildings and land use rights. When an investment property is sold, transferred, retired or damaged, the amount of any proceeds on disposal of the property net of the carrying amount and related taxes is recognised in profit or loss.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

14. Impairment of Long-term Assets

Fixed assets, intangible assets and long-term equity investments in associates are tested for impairment if there is any indication that an asset may be impaired at the balance sheet date. Intangible assets not ready for intended use are tested for impairment at least annually, irrespective of whether there is any indication that the asset may be impaired. If the result of the impairment test indicates that the recoverable amount of an asset is less than its carrying amount, an impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. Provision for asset impairment is calculated and recognised on an individual asset basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of a group of assets to which the asset belongs is determined. An asset group is the smallest asset group that is able to generate cash inflows independently.

Once the above asset impairment loss is recognised, it will not be reversed in the subsequent period.

15. Long-term Amortisation Expenses

The Group's long-term amortisation expenses include decoration expenses. Such expenses are amortised evenly over the benefit period. If the long-term amortisation expenses are no longer beneficial to the subsequent accounting periods, the unamortised balance is then fully transferred to the profit or loss.

16. Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings with maturity of less than one year (inclusive) are short-term borrowings, and the remaining borrowings are long-term borrowings.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

17. Lease Liabilities

(1) *Initial measurement*

The Group initially measures the lease liability at the present value of the lease payments that are not paid at the commencement date of the lease term.

1) *Lease payments*

Lease payments refer to the payments made by the Group to the lessor in relation to the right to use the leased asset during the lease term, including: ① fixed payments and in-substance fixed payments less any lease incentives; ② variable lease payments that depend on an index or a rate, which are determined at the initial measurement based on the index or rate at the commencement date of the lease term; ③ the exercise price of a purchase option if the Group is reasonably certain to exercise that option; ④ payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate; and ⑤ payments expected to be made based on the residual value of the guarantees provided by the Group.

2) *Discount rate*

In calculating the present value of lease payments, the Group uses the incremental borrowing rate as the discount rate if the interest rate implicit in the lease is not readily determinable. The incremental borrowing rate is the rate that the Group must pay in the similar economic environment in order to obtain the assets whose value is close to that of right-of-use assets, and under similar pledge conditions in similar periods to borrow funds. The interest rate is related to: ①the Group's own situation, i.e. the Group's solvency and credit status; ② the term of "borrowing", i.e. the lease term; ⑤ the amount of "borrowing", i.e. the amount of lease liabilities; ④ the "mortgage conditions", i.e. the nature and quality of the underlying assets; ⑤ the economic environment, including the jurisdiction where the lessee is located, the pricing currency, the time of signing the contract, etc. The Group determines the incremental borrowing rate based on the interest rate of bank loans and adjusts by taking into account the above factors.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

17. Lease Liabilities (Continued)

(2) *Subsequent measurement*

After the commencement date, the Group conducts the subsequent measurement of the lease liability according to the following principles: ① increasing the carrying amount of the lease liability when recognising the interest of the lease liability; ② reducing the carrying amount of the lease liability when making the lease payment; ③ re-measuring the carrying amount of the lease liability when there is a change in the lease payment due to revaluation or lease change.

The Group calculates the interest expense of the lease liability in each period of the lease term based on the fixed periodic interest rate and recognises it in profit or loss, except for those that should be capitalised. The periodic interest rate refers to the discount rate used by the Group in the initial measurement of lease liabilities, or the revised discount rate adopted by the Group when the lease liabilities need to be re-measured at revised discount rate due to the change in lease payment or lease change.

(3) *Re-measurement*

After the commencement date of the lease term, when the following circumstances occur, the Group re-measures the lease liabilities at the present value calculated based on the lease payments, and adjusts the carrying value of the right-of-use assets accordingly. If the carrying value of the right-of-use assets has been reduced to zero, but the lease liabilities still need to be further reduced, the Group will include the balance in the current profit and loss. The circumstances include ① any change in the fixed payment in substance (in this case, the original discount rate is used); ② any change in the expected payable amount of the residual value of the guarantee (in this case, the original discount rate is used); ③ any change in the indexes or ratios used to determine the lease payments (in this case, the revised discount rate is used); ④ any change in the evaluation result of the purchase option (in this case, the revised discount rate is used); ⑤ any change in evaluation result or actual exercise of the option to renew or terminate the lease (in this case, the revised discount rate is used).

18. Provisions

Provisions are recognised when the Group has a current obligation related to a contingency, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be measured reliably.

On the balance sheet date, provisions are measured at the best estimate of the expenditure required to settle the current obligation, taking into account factors pertaining to a contingency such as the risks, uncertainties and time value of money. Where the effect of the time value of money is material, the best estimate is determined by discounting the expected future cash outflows.

If all or part of the expenditure required to settle a provision is expected to be reimbursed by a third party, the reimbursement is recognised as a separate asset only when it is virtually certain that reimbursement will be received, and the amount of reimbursement recognised does not exceed the carrying amount of the provision.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

19. Employee Benefits

Employee benefits of the Group include short-term employee benefits, post-employment benefits, termination benefits and other long-term benefits.

(1) Short-term employee benefits

Short-term employee benefits include employee wages or salaries, bonus, allowance and subsidies, staff welfare, medical insurance, maternity insurance, housing funds, union running costs, employee education costs, short-term paid absences and so forth. Actual short-term employee benefits are recognised as a liability in the period in which the associated services are rendered by its employees, with a corresponding increase in the expenses in profit or loss or the cost of relevant assets. Non-monetary benefits are measured at fair value.

(2) Post-employment benefits

The Group divides post-employment benefit plans into defined contribution plans and defined benefit plans. Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions. Defined benefit plans are post-employment benefit plans other than defined contribution plans. During the Reporting Period, the Group pays contributions to basic retirement insurance and unemployment insurance for the employees, which are both defined contribution plans.

(3) Termination benefits

The Group classifies post-employment benefit plan as defined contribution plans and defined benefit plans. Defined contribution plans are post-employment benefit plan under which the Group pays fixed contributions into a separate fund and has no obligation to pay further contributions. Defined benefit plans are post-employment benefit plan other than defined contribution plan. During the Reporting Period, the Group's post-employment benefits mainly include basic pension insurance and unemployment insurance, which are both defined contribution plans.

(4) Other long-term benefits

1) Basic pension insurance: the employees of the Group participate in the social basic pension insurance organised and implemented by the local labour and social security authorities. The Group makes monthly contributions to the local social basic pension insurance authorities according to the base and percentage stipulated by the local regulations. After the retirement of employees, the local labour and social security authorities are responsible for the payment of the social basic pension to the retired employees. In the accounting period in which an employee renders services, the Group shall recognise the amount payable calculated in accordance with the above provisions as a liability, and charged to the current profit or loss or the cost of relevant assets.

2) Supplementary pension insurance: the Group provides supplementary pension insurance for employees in accordance with the enterprise annuity management plan, and pays supplementary pension insurance premiums to the enterprise annuity plan management agency. After the retirement of employees, the management organisation of the enterprise annuity plan is responsible for paying the supplementary social pension to the retired employees. In the accounting period in which an employee renders services, the Group shall recognise the amount payable calculated in accordance with the above regulations as a liability and charge to profit or loss for the current period.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

20. Deferred Income Tax Assets and Deferred Income Tax Liabilities

Deferred income tax assets and deferred income tax liabilities are recognised based on the temporary differences between the tax bases and the carrying amount of assets and liabilities. A deferred income tax asset is recognised for deductible losses that can be carried forward to subsequent years for deduction of the taxable profit in accordance with the tax laws. No deferred income tax asset or deferred income tax liability is recognised for the temporary differences resulting from the initial recognition of assets or liabilities due to a transaction other than a business combination, which affects neither accounting profit nor taxable profit (or deductible loss). At the balance sheet date, deferred income tax assets and deferred income tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled.

Deferred income tax assets are only recognised for deductible temporary differences, deductible losses and tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, deductible losses and tax credits can be utilised.

Deferred income tax liabilities are recognised for taxable temporary differences arising from investments in associates, except where the Group is able to control the timing of the reversal of the temporary differences, and it is probable that the temporary differences will not reverse in the foreseeable future. When it is probable that the temporary differences arising from investments in associates will be reversed in the foreseeable future and that the taxable profit will be available in the future against which the temporary differences can be utilised, the corresponding deferred income tax assets are recognised.

Deferred income tax assets and deferred income tax liabilities are offset when: the deferred income tax assets and deferred income tax liabilities are related to the same tax payer within the Group and the same taxation authority; and that tax payer within the Group has a legally right to offset current income tax assets against current income tax liabilities.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

21. Risk Provision

Risk provision includes general risk provision and trust compensation provision.

(1) General risk provision

Pursuant to Caijin [2005] No. 49 Notice on Issuing the Administrative Measures for the Provision for Doubtful Debts of Financial Enterprises, Caijin [2005] No. 90 Notice on the Provision for Doubtful Debts and Caijin [2012] No. 20 Notice on Issuing the Administrative Measures for the Provision of Reserves of Financial Enterprises issued by the MOF, the Company is required to appropriate 1.5% of the ending balance of its risk-bearing assets to the general risk provision. The scope of assets subject to risks and losses as specified in the above notices includes risk assets other than investment properties, fixed assets, intangible assets and deferred income tax assets. General risk provision is appropriated from the net profit after tax for the year to cover potential losses that have not been identified and is included as a component of shareholders' equity.

(2) Trust compensation provision

According to the Administrative Measures for Trust Companies (Order No. 2 [2007] of the former CBRC), the Company is required to set aside at least 5% of its after-tax profit each year as trust compensation provision until the accumulated total of such provision reaches 20% of its registered capital. On 10 March 2015, as considered and approved by the Board of the Company, the Company's trust compensation provision ratio was changed from 5% to 10% of net profit after tax each year.

22. Revenue Recognition Principles and Measurement

Revenue is recognised by the Group based on the amount of consideration that is expects to be charged when clients obtain the control of relative goods or services.

(1) Fee and commission income

The Company acts as the trustee of the trust business to provide services to customers and recognises revenue over time based on the progress of the services completed. On the balance sheet date, the Company re-estimated the progress of completed services to enable it to reflect changes in performance.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

22. Revenue Recognition Principles and Measurement (Continued)

(2) Interest income

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

For originated or purchased credit-impaired financial assets, interest income is calculated by applying the credit-adjusted original effective interest rate to the amortised cost of the financial asset.

Financial assets that are not originated or purchased credit-impaired but have subsequently become credit-impaired (or "**Stage 3**"), for which interest revenue is calculated by applying the effective interest rate to the amortised cost (i.e. net of the ECL allowance).

(3) Dividend income

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

23. Government Grants

The Group's government grants are monetary assets or non-monetary assets obtained by the Group from the government free of charge, including tax refund, financial subsidies, etc.

Government grants are recognised when the Group can comply with the conditions attaching to them and the grants will be received. If a government grant is in the form of a monetary asset, it is measured at the amount received or receivable. If a government grant is in the form of a non-monetary asset, it is measured at fair value. If the fair value cannot be reliably determined, it is measured at a nominal amount.

Asset-related government grants refer to the government grants obtained by the Group for the acquisition, construction or other forms of long-term assets. Government grants related to income refer to government grants other than those related to assets.

For a government grant related to income, if the grant is a compensation for related expenses or losses to be incurred in subsequent periods, the grant is recognised as deferred income, and recognised in profit or loss over the periods in which the related costs are recognised; if the grant is a compensation for related expenses or losses already incurred, the grant is recognised immediately in profit or loss for the current period.

Government grants related to daily activities are included in operating profit, and government grants unrelated to daily activities are included in non-operating income and expenses.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

24. Leases

(1) Identification of leases

Lease refers to a contract that the lessor transfers the right to use an asset to the lessee for a period of time in exchange for consideration. At the commencement date of the contract, the Group shall assess whether a contract is or contains a lease or not. It is classified as lease or contains a lease if a party transfers the right to control one or multiple identified assets for a period of time in exchange for consideration. For which, the Group evaluates whether the customer have the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use or the customer have the right to direct how and for what purpose the asset is used throughout the period of use.

If the contract contains multiple separate leases at the same time, the Group shall split the contract and account them separately. If the contract includes both lease and non-lease components, the Group shall account for the lease component of the contract separately from the non-lease component.

(2) The Group as the lessee

1) Lease recognition

At the commencement of the lease term, the Group recognises the right-of-use asset and lease liabilities for the lease.

2) Lease change

Lease change refers to the change of lease scope, lease consideration and lease term beyond the original contract terms, including the addition or termination of the right to use one or more leased assets, and the extension or shortening of the lease term specified in the contract. The effective date of lease change refers to the date when both parties reach an agreement on lease change.

If the lease changes and meets the following conditions at the same time, the Group will take the lease change as a separate lease for the accounting treatment: ① the lease change expands the lease scope or extend the lease term by increasing the right to use one or more leased assets, and ② the increased consideration is equivalent to the amount by adjusting the separate price of the expanded lease scope or the extended lease term according to the contract.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

24. Leases (Continued)

(2) The Group as the lessee (Continued)

2) Lease change (Continued)

If the lease change is not taken as a separate lease for the accounting treatment, the Group will, on the effective date of the lease change, apportion the consideration of the changed contract in accordance with the relevant provisions of the leasing standards, and redetermine the changed lease term; and use the revised discount rate to discount the changed lease payment to remeasure the lease liabilities. In calculating the present value of the changed lease payment, the Group adopts the interest rate implicit in lease in the remaining lease term as the discount rate. If it is impossible to determine the interest rate implicit in lease in the remaining lease term, the Group will adopt the lessee’s incremental borrowing rate at the effective date of the lease change as the discount rate. As for the impact of the above adjustment of lease liabilities, the Group carries out the accounting treatment according to the following circumstances: ① if the lease scope is reduced or the lease term is shortened due to the lease change, the lessee shall reduce the book value of the right-of-use asset and include the relevant gains or losses from the partial termination or complete termination of the lease into the current profits and losses. ② If the lease liabilities are remeasured due to the other lease changes, the lessee shall adjust the book value of the right-of-use asset accordingly.

3) Short-term lease and low-value asset lease

For the short-term lease with a lease term of not more than 12 months and low-value asset lease with a lower value when a single leased asset is brand new, the Group chooses not to recognise the right-of-use asset and lease liabilities. The Group will include the lease payment for short-term lease and low-value asset lease into the related asset cost or current profits and losses by the straight-line method or other systematic and reasonable methods during each lease term.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

24. Leases (Continued)

(3) The Group as the lessor

On the basis that the contract evaluated in (1) is the lease or includes the lease, the Group, as the lessor, divides the lease into finance leases and operating leases on the lease commencement date.

If a lease substantially transfers almost all the risks and rewards related to the ownership of the leased asset, the lessor shall classify the lease as a finance lease and other leases other than the finance lease as an operating lease.

1) Accounting treatment for finance lease

The Group has no finance lease business.

2) Accounting treatment of operating lease

When the Group leases out self-owned buildings, rental income from an operating lease is recognised on a straight-line basis over the period of the lease. Rental income that are variable based on the revenue is recognised when the revenue is earned.

When a lease is changed, the Group regards it as a new lease from the effective date of the change, and treats the advance or receivable lease payments related to the lease before the charge as the receipts for the new lease.

25. Segment Information

The Group determines the operating segments based on the internal organisational structure, management requirements and internal reporting system, and determines the reporting segments based on the operating segments and discloses the segment information. The senior management represented by the general manager is the Group's chief operating decision maker.

Segment assets and liabilities, segment revenue, expenses and operating results are measured in accordance with the Group's accounting policies. There are no differences between the accounting policies used in the preparation of the Group's financial statements and those used in preparing the operating segment information.

Segment revenue, operating results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

26. Trust Business

According to the Trust Law of the People's Republic of China and other provisions, "Trust property is distinct from all property belonging to the trustee (hereinafter referred to as "**proprietary property**"), and shall not be included in the proprietary assets of the trustee or become part of the proprietary assets. The Group separately manages and accounts for its proprietary assets and trust assets. Trust projects managed by the Company refer to the basic units that manage, use or dispose of trust assets individually or collectively according to the provisions of the trust documents. Each trust project is regarded as an independent accounting entity to independently calculate the management, use and disposal of trust assets. Except for the trust schemes which are consolidated into the financial statements, the assets, liabilities and profit or loss arising from the trust business are not included in the financial statements of the Group.

27. Critical Accounting Estimates and Judgements

The Group continually evaluates the critical accounting estimates and key judgments applied based on historical experience and other factors, including reasonable expectations of future events. The critical accounting judgements and estimates that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below. The actual results in the future may differ materially from the accounting estimates and judgments described below.

(1) Measurement of ECL

The measurement of the ECL allowance for financial assets measured at amortised cost and FVTOCI is an area that requires the use of complex models and significant assumptions about future microeconomic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). The Group regularly monitors and reviews important macroeconomic assumptions and parameters related to the calculation of ECL. Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is detailed in Note IX.1.(2)④, which also sets out sensitivities of the ECL to changes in these elements.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as: choosing appropriate models and assumptions for the measurement of ECL; determining criteria for significant increase in credit risk, defaulting and credit impairment; applying the economic indicators for forward-looking measurement, economic scenarios and weightings; and forecasting the future cash flows for corporate loans in stage 3.

(2) Fair value of financial instruments

The Group uses valuation technique for financial instruments which are not quoted in an active market. Valuation techniques include reference to the transaction prices determined in arm's length market transactions between knowledgeable and willing economic entities, reference to the fair value of another similar financial instrument in the market, or the use of discounted cash flow analysis and option pricing models. Valuation techniques maximise the use of market information where it is available. However, where market information is not available, the Group uses assumptions that are calibrated as closely as possible to market observable data. The management will make estimates about the Group's and the counterparty's credit risk, market volatility and correlations. Changes in these assumptions could affect the fair value of financial instruments.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

27. Critical Accounting Estimates and Judgements (Continued)

(3) Whether the Company has control over structured entities

When the Company acts as a trustee of a trust scheme and assumes responsibility for asset management, the Company determines whether it is an agent or a principal in relation to the trust scheme to assess whether the Company controls the trust scheme and should consolidate it. In making this assessment, the Company considers a wide range of factors and reassesses them when there are changes in those factors, such as the scope of the Company's decision-making authority over the trust schemes, the power held by other parties, the remuneration to which the Company is entitled in exchange for providing the asset management services, the Company's exposure to variability of returns from other interests that it holds in the trust schemes (e.g. direct investments).

(4) Income tax and deferred income tax

There are some transactions and events for which the ultimate tax determination is uncertain during the ordinary course of business. Significant judgment is required in determining the provision for income taxes in each of these jurisdictions. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

28. Changes in Significant Accounting Policies and Accounting Estimates

(1) Changes in significant accounting policies

The Group had no significant changes in accounting policies during the period.

(2) Changes in significant accounting estimates

The Group had no significant changes in accounting estimates during the period.

V. TAXES

1. Main Taxes and Tax Rates

Taxes	Tax basis	Tax Rate
Value-added tax	The taxable appreciation value of asset management products is subject to a tax rate of 3%; Output tax is calculated at a tax rate of 6% on the taxable income, and is levied according to the difference after deducting deductible input tax for the period	3%、6%
City construction and maintenance tax	Turnover tax payable	7%
Education surcharges	Turnover tax payable	3%
Regional education surcharges	Turnover tax payable	2%
Corporate income tax	Taxable income	25%

2. Tax Preference

According to Article 4 of the Notice on Clarifying the Value-added Tax Policies for Financial Real Estate Development and Education Ancillary Services (Cai Shui [2016] No. 140) issued by the MOF and the State Administration of Taxation, "the manager of asset management products shall be the value-added tax payer for the taxable activities of asset management products during the operation process."

According to the Notice on the Relevant Issues of Value-added Tax on Asset Management Products (Cai Shui [2017] No. 56) issued by the MOF and the State Administration of Taxation, a simplified tax calculation method is temporarily applicable for the value-added tax taxable activities (hereinafter referred to as the asset management product operation business) occurred during the operation of asset management products by the manager of asset management products (hereinafter referred to as the manager), and the value-added tax shall be paid at the rate of 3%.

(All amounts are presented in RMB except otherwise stated)

VI. NOTES TO MAJOR ITEMS IN THE FINANCIAL STATEMENTS

For the financial statements data disclosed below, unless otherwise stated, the "opening" refers to 31 December 2022; and the "closing" refers to 30 June 2023. The "current period" refers to the period from 1 January 2023 to 30 June 2023; and the "previous period" refers to the period from 1 January 2022 to 30 June 2022. The currency unit is RMB.

1. Monetary Assets

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

Note 1: As at 30 June 2023, bank deposits attributable to the consolidated structured entities amounted to RMB68 million (31 December 2022: RMB31 million). These bank deposits belong to trust assets. According to the Trust Law of the People's Republic of China, trust assets are separate from all properties owed by the trustee (the "proprietary assets") and are separately managed and accounted.

Note 2: As at 30 June, 2023, the Group's funds in bank account amounted to of RMB115,000,000.00 were frozen due to litigation.

Note 3: Other monetary assets are deposits with securities companies.

(All amounts are presented in RMB except otherwise stated)

VI. NOTES TO MAJOR ITEMS IN THE FINANCIAL STATEMENTS (Continued)

2. Accounts Receivable

(1) *Categorisation of accounts receivable*

Item	Closing balance	Opening balance
Original value of trustee's remuneration receivable	**179,499,335.95**	154,939,322.59
Less: ECL	**15,108,794.37**	6,811,988.75
Net trustee's remuneration receivable	**164,390,541.58**	148,127,333.84

(2) *Bad debt provision for accounts receivable*

Bad debt provision	Stage 1 ECL within the next 12 months	Stage 2 Lifetime ECL (not credit-impaired)	Stage 3 Lifetime ECL (credit-impaired)	Total
Balance on 1 January 2023	6,811,988.75			6,811,988.75
Provision for the period	1,990,667.11	86,032.85	6,220,105.66	8,296,805.62
Reversal for the period				
Transfers for the period	-243,545.57	17,915.40	225,630.17	
– Transfer from Stage 1 to Stage 2	-17,915.40	17,915.40		
– Transfer from Stage 1 to Stage 3	-225,630.17		225,630.17	
– Transfer from Stage 2 to Stage 3				
Balance as at 30 June 2023	8,559,110.29	103,948.25	6,445,735.83	15,108,794.37

(All amounts are presented in RMB except otherwise stated)

VI. NOTES TO MAJOR ITEMS IN THE FINANCIAL STATEMENTS (Continued)

3. Advance Payments

(1) Ageing of advance payments

Item	Closing balance Amount	Closing balance %	Opening balance Amount	Opening balance %
Within 1 year	**23,651,815.73**	**73.44**	18,942,299.54	64.48
1 to 2 years	**8,429,646.47**	**26.18**	10,283,499.30	35.00
2 to 3 years	**14,405.00**	**0.04**	8,005.00	0.03
Over 3 years	**108,853.96**	**0.34**	144,721.96	0.49
Total	**32,204,721.16**	**100.00**	29,378,525.80	100.00

Note: The advance payments aged over 1 year with significant amount as at the end of the period are prepayments of RMB5,869,646.47 to Hundsun Technologies Inc. (恒生電子股份有限公司) and RMB2,560,000.00 to Business Intelligence Info. Tech. (Hangzhou) Corp., Ltd. (商智神州(杭州)科技有限公司), which have not been settled because the relevant services have not been completed.

(2) Top five advance payments by closing balance collected by prepaid target

Name of entities	Closing balance	Aging	Proportion in the total amount of the closing balance of advance payments
Entity 1	**19,320,646.47**	0 to 2 years	59.99
Entity 2	**4,120,000.00**	0 to 3 years	12.79
Entity 3	**1,621,821.32**	0 to 1 year	5.04
Entity 4	**1,328,536.19**	0 to 1 year	4.13
Entity 5	**1,166,676.00**	1 to 2 years	3.62
Total	**27,557,679.98**		85.57

(All amounts are presented in RMB except otherwise stated)

VI. NOTES TO MAJOR ITEMS IN THE FINANCIAL STATEMENTS (Continued)

4. Financial Assets Purchased under Resale Agreements

Item	Closing balance	Opening balance
Government bonds purchased under agreements to resell	**499,593,539.24**	357,260,491.66
Less: Bad debt provision		
Total carrying amounts	**499,593,539.24**	357,260,491.66

5. Assets Classified as Held for Sale

Item	Closing carrying amount balance	Impairment provision	Closing carrying amount	Closing fair value	Estimated disposal cost	Expected disposal time
Zouping Pufa Village and Township Bank Co. Ltd. (鄒平浦發村鎮銀行股份有限公司)	17,530,000.00	17,530,000.00	–	3,600,000.00	10,000.00	By end of 2023
Total	17,530,000.00	17,530,000.00	–	3,600,000.00	10,000.00	–

In December 2022, the Directors of the Company resolved to dispose of the equity investments in an associate, Zouping Pufa Village and Township Bank Co. Ltd. (collectively, the "assets classified as held-for-sale"). The assets and liabilities attributable to the assets classified as held-for-sale, which are expected to be sold within 12 months, have been classified as assets classified as held for sale and are presented separately in the consolidated statement of financial position.

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

(All amounts are presented in RMB except otherwise stated)

VI. NOTES TO MAJOR ITEMS IN THE FINANCIAL STATEMENTS (Continued)

6. Loans and Advances to Customers

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

(1) *Movement of principals*

Principals	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2023	852,300,000.00	8,400,000.00	377,607,700.00	1,238,307,700.00
Additions for the period	992,077,215.22		194,800,000.00	1,186,877,215.22
Disposals for the period	151,200,000.00			151,200,000.00
Repayments for the period		170,000.00		170,000.00
Transfers for the period		-8,230,000.00	8,230,000.00	
– Transfer from Stage 2 to Stage 3		-8,230,000.00	8,230,000.00	
Balance as at 30 June 2023	1,693,177,215.22		580,637,700.00	2,273,814,915.22

(2) *Expected credit losses*

Allowance for loan losses	Stage 1 ECL within the next 12 months	Stage 2 Lifetime ECL (not credit-impaired)	Stage 3 Lifetime ECL (credit-impaired)	Total
Balance as at 1 January 2023	52,044,735.08	795,480.00	176,338,251.74	229,178,466.82
Provision for the period	52,546,261.75		18,807,706.74	71,353,968.49
Transfer from merger	586,219.22		317,616.59	903,835.81
Reversal for the period	11,227,775.98		151,803.33	11,379,579.31
Transfer for the period		-795,480.00	795,480.00	
– Transfer from Stage 2 to Stage 3		-795,480.00	795,480.00	
Resale for the period	5,619,390.19			5,619,390.19
Balance as at 30 June 2023	88,330,049.88		196,107,251.74	284,437,301.62

(All amounts are presented in RMB except otherwise stated)

VI. NOTES TO MAJOR ITEMS IN THE FINANCIAL STATEMENTS (Continued)

7. Financial Assets Held for Trading

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

Note 1: Asset management schemes invested by the Company are mainly asset management schemes issued by third-party financial institutions such as banks and securities companies in the PRC.

Note 2: According to the Administrative Measures on Trust Industry Protection Fund (Yin Jian Fa [2014] No. 50) (《信託業保障基金管理辦法》(銀監發[2014]50號)) jointly issued by the CBRC and the MOF on 10 December 2014 and the Notice of the General Office of the CBRC on Relevant Matters Concerning the Collection and Management of Trust Industry Protection Fund (Yin Jian Fa [2015] No. 32) (《中國銀監會辦公廳關於做好信託業保障基金籌集和管理等有關具體事項的通知》(銀監發[2015]32號)) issued by the CBRC on 25 February 2015, trust companies in the PRC are required to contribute to the Trust Industry Protection Fund established and managed by China Trust Protection Fund Co., Ltd. (中國信託業保障基金有限責任公司), and the capital contribution of the Trust Industry Protection Fund consists of the following:

– The Company shall subscribe for 1% of the balance of net assets, and adjust dynamically at the end of April each year based on the he balance of net assets at the end of the previous year.

– 1% of the new issue amount for the fund trust, among which, the investment fund trust that purchases standardised products shall be subscribed by the trust company; and the financing fund trust shall be subscribed by the financier.

– The newly established property trust is subscribed by the Company at 5% of the remuneration received by the trust company.

– The Trust Industry Protection Fund can only be used when a trust company faces a restructuring, bankruptcy, insolvency or liquidity crisis due to continuous operating losses. The Trust Industry Protection Fund can be invested in bank deposits, inter-bank market, government bonds, PBOC notes, financial bonds, money market funds etc.

As at 30 June 2023, the Group's contribution to the Trust Industry Protection Fund calculated in accordance with the above requirements amounted to RMB112.4612 million, which has been fully paid up.

(All amounts are presented in RMB except otherwise stated)

VI. NOTES TO MAJOR ITEMS IN THE FINANCIAL STATEMENTS (Continued)

8. Debt Investments

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

(1) Movement of principals

Principals	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2023	176,196,611.03	565,528,848.72	5,263,820,549.51	6,005,546,009.26
Additions for the period	115,000,000.00		108,900,000.00	223,900,000.00
Repayments for the period	3,037,200.00	11,583,733.98	23,388,542.95	38,009,476.93
Disposals for the period				
Transfer in for the period		-130,196,954.37	130,196,954.37	
– Transfer from Stage 2 to Stage 3		-130,196,954.37	130,196,954.37	
Transfer out for the period	40,200,000.00	20,448,767.12		60,648,767.12
Balance as at 30 June 2023	247,959,411.03	403,299,393.25	5,479,528,960.93	6,130,787,765.21

(2) Expected credit losses

Impairment provision for debt investments	Stage 1 ECL within the next 12 months	Stage 2 Lifetime ECL (not credit-impaired)	Stage 3 Lifetime ECL (credit-impaired)	Total
Balance as at 1 January 2023	7,217,642.83	62,305,373.25	2,106,478,889.81	2,176,001,905.89
Provision for the period	4,459,038.40	-14,201,049.38	201,744,395.22	192,002,384.24
Resale for the period				
Transfer in for the period		-12,695,156.73	12,695,156.73	
– Transfer from Stage 2 to Stage 3		-12,695,156.73	12,695,156.73	
Balance as at 30 June 2023	11,676,681.23	35,409,167.14	2,320,918,441.76	2,368,004,290.13

(All amounts are presented in RMB except otherwise stated)

VI. NOTES TO MAJOR ITEMS IN THE FINANCIAL STATEMENTS (Continued)

9. Long-term Equity Investments

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

(1) Associates accounted for using the equity method

Investee	Opening balance (carrying amount)	Changes for the period: Additional investment	Changes for the period: Decrease in investment	Changes for the period: Investment profit or loss recognised under equity method	Changes for the period: Adjustment to other comprehensive income	Changes for the period: Other changes in equity	Changes for the period: Cash dividend or profit declared	Changes for the period: Impairment provision	Changes for the period: Others	**Closing balance (carrying amount)**	Closing balance of impairment provision
Associates accounted for using the equity method invested by the Company											
Dezhou Bank Co., Ltd. (德州銀行股份有限公司)	122,823,350.45			4,940,425.16	1,389,024.10					**129,152,799.71**	
Sinotruk Auto Finance Co., Ltd. (重汽汽車金融有限公司)	218,078,660.68			1,676,290.48	3,609.84					**219,758,561.00**	
Taishan Property & Casualty Insurance Co., Ltd. (泰山財產保險股份有限公司)	171,033,112.06			3,459,432.37	-1,256,337.08					**173,236,207.35**	
Anhui Luxin Private Equity Investment Fund Management Co., Ltd. (安徽魯信私募股權投資基金管理有限公司)	3,767,632.67			76,443.23			-781,250.00			**3,062,825.90**	
Total	515,702,755.86			10,152,591.24	136,296.86		-781,250.00			**525,210,393.96**	

(2) Investments in associates measured at fair value

Item	Closing balance	Opening balance
Opening balance	**387,404,424.00**	349,318,973.86
Increase during the period		
Decrease during the period	**49,571,500.00**	44,000,000.00
Changes in fair value		82,085,450.14
Closing balance	**337,832,924.00**	387,404,424.00

(All amounts are presented in RMB except otherwise stated)

VI. NOTES TO MAJOR ITEMS IN THE FINANCIAL STATEMENTS (Continued)

10. Investment Properties

(1) Investment properties measured at cost

Item	Building structures	Land use rights	Total
I. Original carrying amount			
1. Opening balance	150,617,894.92		150,617,894.92
2. Increase for the period			
(1) Outsourcing			
(2) Transfer from fixed assets/ construction in progress			
3. Decrease for the period			
(1) Disposal			
(2) Other transfer out			
4. Closing balance	150,617,894.92		150,617,894.92
II. Accumulated depreciation and accumulated amortisation			
1. Opening balance	13,009,620.88		13,009,620.88
2. Increase for the period	1,882,723.69		1,882,723.69
(1) Provision or amortisation	1,882,723.69		1,882,723.69
(2) Transfer from fixed assets/ construction in progress			
3. Decrease for the period			
(1) Disposal			
(2) Other transfer out			
4. Closing balance	14,892,344.57		14,892,344.57
III. Impairment provision			
1. Opening balance			
2. Increase for the period			
(1) Provision			
3. Decrease for the period			
(1) Disposal			
(2) Other transfer out			
4. Closing balance			
IV. Carrying amount			
1. Closing carrying amount	135,725,550.35		135,725,550.35
2. Opening carrying amount	137,608,274.04		137,608,274.04

(2) The Group has no investment properties without proper title certificates

(All amounts are presented in RMB except otherwise stated)

VI. NOTES TO MAJOR ITEMS IN THE FINANCIAL STATEMENTS (Continued)

11. Fixed Assets

Item	Closing carrying amount	Opening carrying amount
Fixed assets	**124,923,299.48**	127,797,634.76
Disposal of fixed assets		
Total	**124,923,299.48**	127,797,634.76

(1) Details of fixed assets

Item	Building structures	Transportation equipment	Computer and electronic equipment	Office equipment	Total
I. Original carrying amount					
1. Opening balance	155,692,069.95	2,799,452.06	30,207,222.21	10,198,931.21	198,897,675.43
2. Increase for the period			4,974,343.32	5,136.86	4,979,480.18
(1) Purchase			4,974,343.32	5,136.86	4,979,480.18
3. Decrease for the period			3,526,196.69	1,810,273.00	5,336,469.69
(1) Disposal or retirement			3,526,196.69	1,810,273.00	5,336,469.69
4. Closing balance	155,692,069.95	2,799,452.06	31,655,368.84	8,393,795.07	198,540,685.92
II. Accumulated depreciation					
1. Opening balance	54,960,194.82	1,769,369.16	10,969,236.24	3,401,240.45	71,100,040.67
2. Increase for the period	3,149,611.17	128,004.73	2,774,630.41	851,681.30	6,903,927.61
(1) Provision	3,149,611.17	128,004.73	2,774,630.41	851,681.30	6,903,927.61
3. Decrease for the period			3,302,566.80	1,084,015.04	4,386,581.84
(1) Disposal or retirement			3,302,566.80	1,084,015.04	4,386,581.84
4. Closing balance	58,109,805.99	1,897,373.89	10,441,299.85	3,168,906.71	73,617,386.44
III. Impairment provision					
1. Opening balance					
2. Increase for the period					
(1) Provision					
3. Decrease for the period					
(1) Disposal or retirement					
4. Closing balance					
IV. Carrying amount					
1. Closing carrying amount	97,582,263.96	902,078.17	21,214,068.99	5,224,888.36	124,923,299.48
2. Opening carrying amount	100,731,875.13	1,030,082.90	19,237,985.97	6,797,690.76	127,797,634.76

(All amounts are presented in RMB except otherwise stated)

VI. NOTES TO MAJOR ITEMS IN THE FINANCIAL STATEMENTS (Continued)

11. Fixed Assets (Continued)

11.1 Fixed assets (Continued)

(2) Temporarily idle fixed assets

Item	Original carrying amount	Accumulated depreciation	Impairment provision	Carrying amount	Remark
Building structure	138,374,211.31	56,429,973.63		81,944,237.68	Temporarily idle
Total	138,374,211.31	56,429,973.63		81,944,237.68	

(3) The Group has no fixed assets leased out under operating leases

(4) The Group has no fixed assets without proper title certificates

12. Right-of-use Assets

Item	Building structures	Total
I. Original carrying amount		
1. Opening balance	89,381,404.30	89,381,404.30
2. Increase for the period	3,536,383.04	3,536,383.04
(1) Leasing	3,536,383.04	3,536,383.04
(2) Increase due to business combination		
3. Decrease for the period	1,894,411.37	1,894,411.37
(1) Disposal	1,894,411.37	1,894,411.37
4. Closing carrying amount	91,023,375.97	91,023,375.97
II. Accumulated depreciation		
1. Opening balance	19,820,148.74	19,820,148.74
2. Increase for the period	12,537,380.92	12,537,380.92
(1) Provision	12,537,380.92	12,537,380.92
3. Decrease for the period	1,737,422.52	1,737,422.52
(1) Disposal	1,737,422.52	1,737,422.52
4. Closing balance	30,620,107.14	30,620,107.14
III. Impairment provision		
1. Opening balance		
2. Increase for the period		
(1) Provision		
3. Decrease for the period		
(1) Disposal		
4. Closing balance		
IV. Carrying amount		
1. Closing carrying amount	60,403,268.83	60,403,268.83
2. Opening carrying amount	69,561,255.56	69,561,255.56

(All amounts are presented in RMB except otherwise stated)

VI. NOTES TO MAJOR ITEMS IN THE FINANCIAL STATEMENTS (Continued)

13. Intangible Assets

(1) Breakdown of intangible assets

Item	Land use rights	Software	Total
I. Original carrying amount			
1. Opening balance	15,566,146.46	47,861,629.70	63,427,776.16
2. Increase for the period		927,876.22	927,876.22
(1) Purchase		927,876.22	927,876.22
(2) In-house research and development			
(3) Increase from business combination			
3. Decrease for the period			
(1) Disposal			
4. Closing balance	15,566,146.46	48,789,505.92	64,355,652.38
II. Accumulated amortisation			
1. Opening balance	15,566,146.46	18,765,773.68	34,331,920.14
2. Increase for the period		3,905,682.77	3,905,682.77
(1) Provision		3,905,682.77	3,905,682.77
3. Decrease for the period			
(1) Disposal			
4. Closing balance	15,566,146.46	22,671,456.45	38,237,602.91
III. Impairment provision			
1. Opening balance			
2. Increase for the period			
(1) Provision			
3. Decrease for the period			
(1) Disposal			
4. Closing balance			
IV. Carrying amount			
1. Closing carrying amount		26,118,049.47	26,118,049.47
2. Opening carrying amount		29,095,856.02	29,095,856.02

(2) The Group has no land use rights without proper title certificates

(All amounts are presented in RMB except otherwise stated)

VI. NOTES TO MAJOR ITEMS IN THE FINANCIAL STATEMENTS (Continued)

14. Long-term Amortisation Expenses

Item	Opening balance	Increase for the period	Amortisation for the period	Other decreases for the period	Closing balance
Renovation fee	31,411,425.43	543,998.37	5,062,395.04		**26,893,028.76**
Total	31,411,425.43	543,998.37	5,062,395.04		**26,893,028.76**

15. Deferred income tax assets and deferred income tax liabilities

(1) Deferred income tax assets not offset

Item	Closing balance		Opening balance	
	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets
Provision for asset impairment	**2,631,431,357.72**	**657,857,839.44**	2,381,197,361.61	595,299,340.42
Accrued but unpaid salaries and bonuses	**115,760,691.94**	**28,940,172.99**	84,252,667.37	21,063,166.84
Changes in fair value	**89,267,707.57**	**22,316,926.89**	48,618,434.89	12,154,608.72
Provisions	**114,430,547.95**	**28,607,636.99**		
Total	**2,950,890,305.18**	**737,722,576.31**	2,514,068,463.87	628,517,115.98

(2) Deferred income tax liabilities before offset

Item	Closing balance		Opening balance	
	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences	Deferred income tax liabilities
Changes in fair value on financial assets at FVTPL	**436,406,892.45**	**109,101,723.11**	185,371,435.56	46,342,858.89
Accumulated profit or loss of consolidated trust schemes attributable to the Company	**95,665,487.75**	**23,916,371.94**	95,156,495.63	23,789,123.91
Total	**532,072,380.20**	**133,018,095.05**	280,527,931.19	70,131,982.80

(All amounts are presented in RMB except otherwise stated)

VI. NOTES TO MAJOR ITEMS IN THE FINANCIAL STATEMENTS (Continued)

15. Deferred income tax assets and deferred income tax liabilities (Continued)

(3) Deferred income tax assets or liabilities presented in net amount after offset

Item	Closing offset amount of deferred income tax assets and liabilities	Closing balance of deferred income tax assets or liabilities after offset	Opening offset amount of deferred income tax assets and liabilities	Opening balance of deferred income tax assets or liabilities after offset
Deferred income tax assets	133,018,095.05	604,704,481.26	70,131,982.80	558,385,133.18
Deferred income tax liabilities	133,018,095.05		70,131,982.80	

16. Other Assets

Item	Closing balance	Opening balance
Other receivables	227,506,382.75	209,210,138.96
Other assets	1,754,076.90	1,754,076.90
Total	229,260,459.65	210,964,215.86

16.1 Other receivables

(1) Other receivables categorised by nature

Nature	Closing carrying amount	Opening carrying amount
Advance to Trust Industry Protection Fund	3,370,137.74	3,470,137.74
Receivable from court pending litigation	13,174,120.00	13,174,120.00
Current accounts	86,110,407.02	75,888,188.84
Advances	51,355,484.27	32,200,090.53
Deposit	2,896,369.49	2,570,526.14
Debt transfers	90,000,000.00	90,000,000.00
Others	14,443,053.00	9,174,502.55
Total	261,349,571.52	226,477,565.80

(All amounts are presented in RMB except otherwise stated)

VI. NOTES TO MAJOR ITEMS IN THE FINANCIAL STATEMENTS (Continued)

16. Other Assets (Continued)

16.1 Other receivables (Continued)

(2) Provision for bad debts of other receivables

① Movement of principals

Principals	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2023	188,512,562.90	20,791,973.47	17,173,029.43	226,477,565.80
Increase for the period	205,805,942.53	18,335,403.00	50,000.00	224,191,345.53
Decrease for the period	182,807,978.23		6,511,361.58	189,319,339.81
Transfers for the period	-108,070,689.05	94,646,569.05	13,424,120.00	
– Transfer from Stage 1 to Stage 2	-94,646,569.05	94,646,569.05		
– Transfer from Stage 1 to Stage 3	-13,424,120.00		13,424,120.00	
Balance as at 30 June 2023	103,439,838.15	133,773,945.52	24,135,787.85	261,349,571.52

② Expected credit losses

Provision for bad debts	Stage 1 ECL within the next 12 months	Stage 2 Lifetime ECL (not credit-impaired)	Stage 3 Lifetime ECL (credit-impaired)	Total
Balance as at 1 January 2023	351,742.58	1,968,999.90	14,946,684.36	17,267,426.84
Provision for the period	54,058.69	9,570,044.82	6,951,658.42	16,575,761.93
Transfers for the period	-217,407.67	206,307.67	11,100.00	
– Transfer from Stage 1 to Stage 2	-206,307.67	206,307.67		
– Transfer from Stage 1 to Stage 3	-11,100.00		11,100.00	
Balance as at 30 June 2023	188,393.60	11,745,352.39	21,909,442.78	33,843,188.77

(All amounts are presented in RMB except otherwise stated)

VI. NOTES TO MAJOR ITEMS IN THE FINANCIAL STATEMENTS (Continued)

16. Other Assets (Continued)

16.1 Other receivables (Continued)

(3) Other receivables presented by aging

Aging	Closing balance
Within 1 year (inclusive)	**140,594,148.25**
1-2 years	**24,413,659.41**
2-3 years	**58,485,155.60**
Over 3 years	**37,856,608.26**
Total	**261,349,571.52**

(4) Provision for bad debts of other receivables

		Changes for the period			
Category	Opening balance	Provision	Recovery or reversal	Resale or write-off	Closing balance
Provision for bad debts of other receivables	17,267,426.84	16,575,761.93			**33,843,188.77**
Total	17,267,426.84	16,575,761.93			**33,843,188.77**

(5) No other receivables actually written off for the period

(All amounts are presented in RMB except otherwise stated)

VI. NOTES TO MAJOR ITEMS IN THE FINANCIAL STATEMENTS (Continued)

16. Other Assets (Continued)

16.1 Other receivables (Continued)

(6) Top five other receivables by closing balance collected by debtors

Name of entities	Nature	Closing balance	Aging	Proportion in the total amount of the closing balance of other receivables (%)	Closing balance of provision for bad debts
Entity 1	Debt transfers, advance to litigation costs	105,503,905.00	Within 1 year	40.37	9,263,242.86
Entity 2	Advance to trust project fees	35,649,174.39	0-3 years	13.64	4,040,288.13
Entity 3	Current payment	34,651,257.63	0-4 years	13.26	
Entity 4	Current payment	23,506,338.06	2-3 years	8.99	
Entity 5	Current payment	14,178,098.00	1-4 years	5.42	
Total	–	213,488,773.08	–	81.68	13,303,530.99

16.2 Other assets

Item	Closing carrying amount	Opening carrying amount
Original value of investment in artworks	10,403,820.99	9,471,737.45
Impairment provision for investment in artworks	8,649,744.09	7,717,660.55
Net investment in artworks	1,754,076.90	1,754,076.90
Total	1,754,076.90	1,754,076.90

(All amounts are presented in RMB except otherwise stated)

VI. NOTES TO MAJOR ITEMS IN THE FINANCIAL STATEMENTS (Continued)

17. Short-term Borrowings

(1) The category of short-term borrowings

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

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

18. Employee Benefits Payable

(1) The category of employee benefits payable

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
Short-term remuneration	65,243,165.50	86,796,464.20	55,288,439.63	**96,751,190.07**
Long-term remuneration	19,009,501.87			**19,009,501.87**
Post-employment benefits – defined contribution plans		6,346,390.87	6,346,390.87	
Termination benefits		142,290.00	142,290.00	
Total	84,252,667.37	93,285,145.07	61,777,120.50	**115,760,691.94**

(All amounts are presented in RMB except otherwise stated)

VI. NOTES TO MAJOR ITEMS IN THE FINANCIAL STATEMENTS (Continued)

18. Employee Benefits Payable (Continued)

(2) Short-term remuneration

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
Salaries, bonuses, allowances and subsidies	65,243,165.50	75,401,228.28	45,401,228.28	95,243,165.50
Employee welfare		1,413,528.24	1,413,528.24	
Social insurance		3,073,304.18	3,073,304.18	
Including: Medical insurance		2,986,733.31	2,986,733.31	
Work-related injury insurance		66,154.64	66,154.64	
Maternity insurance		20,416.23	20,416.23	
Housing provident fund		4,780,419.10	4,780,419.10	
Labour union funds and employee education funds		1,887,984.46	379,959.89	1,508,024.57
Labour cost		239,999.94	239,999.94	
Total	65,243,165.50	86,796,464.20	55,288,439.63	96,751,190.07

(3) Long-term remuneration

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
Bonuses, allowances and subsidies	19,009,501.87			19,009,501.87
Total	19,009,501.87			19,009,501.87

(4) Defined contribution plans

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
Basic pension insurance		6,101,291.44	6,101,291.44	
Unemployment insurance		245,099.43	245,099.43	
Total		6,346,390.87	6,346,390.87	

(All amounts are presented in RMB except otherwise stated)

VI. NOTES TO MAJOR ITEMS IN THE FINANCIAL STATEMENTS (Continued)

19. Taxes Payable

Item	Closing balance	Opening balance
Corporate income tax	**20,997,948.55**	216,078,725.09
Value-added tax	**59,220,739.25**	47,299,570.81
Individual income tax	**348,740.67**	5,153,299.63
City maintenance and construction tax	**1,438,179.88**	489,939.13
Stamp duty	**586,562.57**	462,349.18
Property tax	**334,020.35**	334,020.35
Education surcharges	**608,471.70**	209,973.91
Regional education surcharges	**405,647.79**	139,982.61
Land use tax	**27,284.20**	27,284.20
Total	**83,967,594.96**	270,195,144.91

20. Contract Liabilities

Item	Closing balance	Opening balance
Trustee's remuneration received in advance	**13,109,669.52**	18,867,924.53
Receipt in advance from other special businesses	**12,247,038.13**	17,352,767.46
Total	**25,356,707.65**	36,220,691.99

21. Lease Liabilities

Item	Closing balance	Opening balance
Lease payments	**55,450,823.10**	65,653,824.00
Less: unrecognised finance charges	**3,756,807.25**	5,297,673.56
Total	**51,694,015.85**	60,356,150.44

(All amounts are presented in RMB except otherwise stated)

VI. NOTES TO MAJOR ITEMS IN THE FINANCIAL STATEMENTS (Continued)

22. Provisions

Item	Closing balance	Opening balance	Reason
Litigation compensation	114,430,547.95		Litigation
Total	114,430,547.95		–

23. Other Liabilities

Item	Closing balance	Opening balance
Net assets attributable to third-party trust beneficiaries of consolidated structured entities [Note 1]	629,991,886.84	243,930,651.07
Receipt in advance from borrowers [Note 2]	332,040,683.17	299,339,807.89
Payable to National Council for Social Security Fund [Note 3]	227,451,700.87	227,451,700.87
Advances from trust schemes and other investments [Note 4]	235,515,895.63	220,812,764.18
Deferred trustee's remuneration income	22,468,192.60	20,500,535.38
Others	52,318,847.03	55,480,731.54
Total	1,499,787,206.14	1,067,516,190.93

Note 1: The net assets attributable to third-party trust beneficiaries of consolidated structured entities refer to the share attributable to third-party trust beneficiaries in the net assets of consolidated structured entities, see Note VIII.1.(2).

Note 2: The Company collects the Trust Industry Protection Fund on behalf of the financiers of the financing trust schemes in accordance with the regulations, and then pays the fund to the China Trust Industry Protection Fund. As at 30 June 2023, the amount of the Trust Industry Protection Fund collected on behalf by the Company but unpaid was RMB332 million (31 December 2022: RMB299 million).

Note 3: The amount due to the National Council for Social Security Fund represents the proceeds of RMB227 million from the disposal of the Company's shares attributable to the National Council for Social Security Fund upon the initial public offering.

Note 4: Advances from trust schemes and other investments are advances received from equity investments in consolidated structured entities, which are presented as other liabilities in the consolidated statement of financial position as the revenue recognition criteria are not met.

(All amounts are presented in RMB except otherwise stated)

VI. NOTES TO MAJOR ITEMS IN THE FINANCIAL STATEMENTS (Continued)

24. Share Capital

Name of investor	Opening balance Investment amount	Opening balance Proportion %	Increase for the period	Decrease for the period	Closing balance Investment amount	Closing balance Proportion %
Shandong Luxin Investment Holdings Group Co., Ltd.	2,242,202,578.74	48.13			**2,242,202,578.74**	**48.13**
CNPC Assets Management Co., Ltd.	873,528,750.00	18.75			**873,528,750.00**	**18.75**
Shandong High-Tech Venture Capital Co., Ltd. (山東省高新技術創業投資有限公司)	225,000,000.00	4.83			**225,000,000.00**	**4.83**
Shandong Gold Group Co., Ltd. (山東黃金集團有限公司)	80,073,468.18	1.72			**80,073,468.18**	**1.72**
Weifang Investment Group Co., Ltd. (濰坊市投資集團有限公司)	60,055,101.54	1.29			**60,055,101.54**	**1.29**
Jinan Energy Investment Co., Ltd. (濟南市能源投資有限責任公司)	13,255,101.54	0.28			**13,255,101.54**	**0.28**
Listed circulating shares	1,164,735,000.00	25.00			**1,164,735,000.00**	**25.00**
Total	4,658,850,000.00	100.00			**4,658,850,000.00**	**100.00**

25. Capital Reserve

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
Share premium	122,830,295.35			**122,830,295.35**
Other capital reserve	37,218,887.70			**37,218,887.70**
Total	160,049,183.05			**160,049,183.05**

(All amounts are presented in RMB except otherwise stated)

VI. NOTES TO MAJOR ITEMS IN THE FINANCIAL STATEMENTS (Continued)

26. Other Comprehensive Income

Item	Opening balance	Amount recognised for the period: Amount recognised before income tax for the period	Less: Amount previously included in other comprehensive income transferred to profit or loss for the period	Less: Amount previously included in other comprehensive income transferred to retained earnings for the period	Less: Income tax expenses	Attributable to parent company after tax	Attributable to non-controlling interests after tax	Closing Balance
1. Other comprehensive income that will be reclassified to profit or loss	-1,730,541.86	136,296.86				136,296.86		**-1,594,245.00**
Including: Other comprehensive income to be reclassified to profit or loss under equity method	-783,845.45	136,296.86				136,296.86		**-647,548.59**
Amount of financial assets reclassified into other comprehensive income	-946,696.41							**-946,696.41**
Total other comprehensive income	-1,730,541.86	136,296.86				136,296.86		**-1,594,245.00**

27. Surplus Reserve

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
Statutory surplus reserve	961,710,834.69			**961,710,834.69**
Discretionary surplus reserve	17,719,395.82			**17,719,395.82**
Total	979,430,230.51			**979,430,230.51**

(All amounts are presented in RMB except otherwise stated)

VI. NOTES TO MAJOR ITEMS IN THE FINANCIAL STATEMENTS (Continued)

28. Risk Provision

Item	Closing balance	Opening balance
General risk provision	524,007,943.40	524,007,943.40
Trust compensation provision	729,761,464.80	729,761,464.80
Total	1,253,769,408.20	1,253,769,408.20

(1) General risk provision

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
General risk provision	524,007,943.40			524,007,943.40
Total	524,007,943.40			524,007,943.40

(2) Trust compensation provision

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
Trust compensation provision	729,761,464.80			729,761,464.80
Total	729,761,464.80			729,761,464.80

(All amounts are presented in RMB except otherwise stated)

VI. NOTES TO MAJOR ITEMS IN THE FINANCIAL STATEMENTS (Continued)

29. Undistributed Profit

Item	For the period	Last year
Balance as at the end of last year	3,883,899,591.65	3,745,803,508.45
Add: Adjustment of undistributed profit at the beginning of the year		
Including: Retrospective adjustment according to the new provisions of the ASBE		
Changes in accounting policies		
Correction of significant prior errors		
Change of consolidation scope under common control		
Other adjustment factors		
Opening balance	3,883,899,591.65	3,745,803,508.45
Add: Net profit attributable to owners of the parent company for the period	175,077,175.55	280,429,396.14
Less: Appropriation to statutory surplus reserve		28,374,277.95
Appropriation to discretionary surplus reserve		
Appropriation to general risk provision		28,374,277.95
Appropriation to trust compensation provision		85,584,757.04
Ordinary share dividends payable		
Ordinary share dividends transferred to share capital		
Closing balance	4,058,976,767.20	3,883,899,591.65

(All amounts are presented in RMB except otherwise stated)

VI. NOTES TO MAJOR ITEMS IN THE FINANCIAL STATEMENTS (Continued)

30. Net Interest Income

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

(All amounts are presented in RMB except otherwise stated)

VI. NOTES TO MAJOR ITEMS IN THE FINANCIAL STATEMENTS (Continued)

31. Net Fee and Commission Income

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

32. Investment Income

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

33. Gains from Changes in Fair Value

Source of gains from changes in fair value	Amount recognised for the period	Amount recognised in the previous period
Financial assets held for trading	212,071,055.06	15,964,013.71
Investment in associates		19,905,986.96
Total	212,071,055.66	35,870,000.67

(All amounts are presented in RMB except otherwise stated)

VI. NOTES TO MAJOR ITEMS IN THE FINANCIAL STATEMENTS (Continued)

34. Gains from Changes in Net Assets Attributable to Third-party Investors in Consolidated Structured Entities

Item	Amount recognised for the period	Amount recognised in the previous period
Gains from changes in net assets attributable to third-party investors in consolidated structured entities	31,763,513.05	46,026,020.78
Total	31,763,513.05	46,026,020.78

35. Exchange gain

Item	Amount recognised for the period	Amount recognised in the previous period
Exchange gain	0.34	0.42
Total	0.34	0.42

36. Other operating income

Item	Amount recognised for the period	Amount recognised in the previous period
Income from leasing fixed assets	656,297.58	543,760.09
Other Income	4,243,097.94	772,576.77
Total	4,899,395.52	1,316,336.86

(All amounts are presented in RMB except otherwise stated)

VI. NOTES TO MAJOR ITEMS IN THE FINANCIAL STATEMENTS (Continued)

37. Gains on Asset Disposal

Item	Amount recognised for the period	Amount recognised in the previous period	Amount included in non-recurring profit or loss for the period
Gains on non-current asset disposal	22,753.28		22,753.28
Including: Gains on disposal of non-current assets not classified as held for sale	22,753.28		22,753.28
Including: Gains on disposal of fixed asset	22,753.28		22,753.28
Total	22,753.28		22,753.28

38. Tax and Surcharges

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

(All amounts are presented in RMB except otherwise stated)

VI. NOTES TO MAJOR ITEMS IN THE FINANCIAL STATEMENTS (Continued)

39. Business and Administration Fees

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

40. Credit Impairment Losses

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

(All amounts are presented in RMB except otherwise stated)

VI. NOTES TO MAJOR ITEMS IN THE FINANCIAL STATEMENTS (Continued)

41. Other Operating Costs

Item	Amount recognised for the period	Amount recognised in the previous period
Depreciation of leased fixed assets	136,899.75	273,799.50
Other costs	114,490.23	91,752.76
Total	251,389.98	365,552.26

42. Non-operating Income

Item	Amount recognised for the period	Amount recognised in the previous period	Amount included in non-recurring profit or loss for the period
Compensation received by winning the litigation	2,742,235.44		2,742,235.44
Government grants	178,394.86	220,344.78	178,394.86
Others	1,377.18	143,900.70	1,377.18
Total	2,922,007.48	364,245.48	2,922,007.48

The Group's government grants were various government grants related to income.

(All amounts are presented in RMB except otherwise stated)

VI. NOTES TO MAJOR ITEMS IN THE FINANCIAL STATEMENTS (Continued)

43. Non-operating Expenses

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

44. Income Tax Expenses

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

45. Other Comprehensive Income

For details, please refer to "VI. 26. Other Comprehensive Income" of these notes.

(All amounts are presented in RMB except otherwise stated)

VI. NOTES TO MAJOR ITEMS IN THE FINANCIAL STATEMENTS (Continued)

46. Items of Cash Flow Statement

(1) Supplementary information to the consolidated cash flow statement

Item	Amount for the period	Amount in the previous period
1. Reconciliation of net profit to cash flows from operating activities:		
Net profit	175,077,175.55	-474,271,715.70
Add: Credit impairment losses	278,020,439.58	1,347,287,292.44
Depreciation of fixed assets, depletion of oil and gas assets, depreciation of productive biological assets	8,786,651.30	5,756,042.47
Depreciation of right-of-use assets	12,537,380.92	6,913,293.32
Amortisation of intangible assets	3,905,682.77	2,941,718.39
Amortisation of long-term amortisation expenses	5,062,395.04	
Loss from disposal of fixed assets, intangible assets and other long-term assets (gain indicated in "-")	-22,753.28	
Losses from changes in fair value (gain indicated in "-")	-212,071,055.06	-35,870,000.67
Loss in investment (gain indicated in "-")	-106,290,705.30	-241,051,364.08
Loss from changes in share of net assets attributable to third party investors in consolidated structured entities (gain indicated in "-")	-31,763,513.05	-46,026,020.78
Interest expenses from financing activities	32,127,770.38	52,399,777.77
Decrease in loans and advances to customers	103,970,000.00	501,670,413.24
Decrease in debt investments	-132,534,030.44	-1,063,996,178.87
Decrease in financial assets held under resale agreements	-142,501,047.58	-411,217,635.67
Decrease in financial assets held for trading	-602,862,507.61	-548,993,002.72
Decrease in deferred income tax assets	-46,319,348.08	-318,849,769.06
Increase in net assets attributable to third-party trust beneficiaries of consolidated structured entities	-161,425,039.88	-2,830,534,909.22
Decrease in other operating receivables	-22,396,028.93	-14,670,793.15
Increase in other operating payables	-39,794,128.75	-191,541,826.45
Net cash flows from operating activities	-878,492,662.42	-4,260,054,678.74
2. Significant investing and financing activities not involving cash receipts and payments:		
Conversion of debt into capital		
Convertible corporate bonds due within one year		
Acquisition of fixed assets under finance leases		
3. Net changes in cash and cash equivalents:		
Closing balance of cash	134,949,949.65	186,098,317.28
Less: Opening balance of cash	2,240,590,484.12	1,586,595,589.20
Add: Closing balance of cash equivalents		
Less: Opening balance of cash equivalents		
Net increase in cash and cash equivalents	-2,105,640,534.47	-1,400,497,271.92

(All amounts are presented in RMB except otherwise stated)

VI. NOTES TO MAJOR ITEMS IN THE FINANCIAL STATEMENTS (Continued)

46. Items of Cash Flow Statement (Continued)

(2) *Cash and cash equivalents*

Item	Closing balance	Opening balance
Cash	**134,949,949.65**	2,240,590,484.12
Including: Cash on hand		
Bank deposits readily available for payment	**99,516,518.11**	436,339,318.04
Other monetary assets readily available for payment	**35,433,431.54**	1,804,251,166.08
Cash equivalents		
Closing balance of cash and cash equivalents	**134,949,949.65**	2,240,590,484.12

47. Dividend

During the six months ended 30 June 2023, the Company did not pay, declare or recommend any dividends (For the six months ended 30 June 2022: nil). The directors of the Company confirm that no interest will be paid for the six months ended 30 June 2023.

48. Earnings per share

(1) *Basic earnings per share*

Item	Amount for the period	Amount in previous period
Net profit attributable to ordinary shareholders of the parent company	**175,077,175.55**	-474,271,715.70
Weighted average of issued ordinary shares	**4,658,850,000.00**	4,658,850,000.00
Basic earnings per share	**0.04**	-0.10

(2) *Diluted earnings per share*

As there is no potential diluted ordinary share during the six-month period ending 30 June 2023, the diluted earnings per share are the same as the basic earnings per share.

VII. CHANGES IN SCOPE OF CONSOLIDATION

Four structural entities controlled by the Company were added in this period, thus included in the scope of consolidation. In addition, the two structured entities controlled at the beginning of the period are due for liquidation in this period. See “Interests in Other Entities” in this note for details.

(All amounts are presented in RMB except otherwise stated)

VIII.INTERESTS IN OTHER ENTITIES

1. Interests in subsidiaries

(1) Composition of enterprise group

Name of subsidiary	Principal place of business	Place of incorporation	Business nature	Shareholding (%) Direct	Shareholding (%) Indirect	Acquisition method
Structured entities under controlled	–	–	–	–	–	–

(2) Structured entities included in the scope of consolidated financial statements

In accordance with the Accounting Standards for Business Enterprises No.33-Consolidated Financial Statements, the Company will include the structured entities that participate with their own funds and meet the definition of "control" as stipulated in the standards.

A structured entity included in the scope of consolidation is a trust schemes partially established and managed by the Company. The Company shall consider the influence exerted by the Company on the trust schemes, the rights and interests entitled by the third party, the amount of remuneration obtained according to the trust contract and related agreements and the amount of variable returns obtained by the Company from the structured entity when deciding whether to include a trust schemes in the scope of consolidation. The underlying assets of such structured entities are mainly reflected in loans and advances in the balance sheet, joint venture measured at fair value and financial assets at FVTPL.

Item	Closing quantity/balance	Opening quantity/balance
Number of products included in consolidation (number)	21	19
Total size of the structured entities included in the consolidation	2,591,666,625.90	1,709,945,866.98
The Company' s equity interests in the above-mentioned structured entities are reflected in the total scale of loans and advances, long-term equity investment and financial assets held for trading in the balance sheet.	1,990,620,273.12	1,497,663,514.20

For trust schemes that may not receive all payments from counterparties on the due dates of the trust schemes in accordance with their underlying project contracts (the "troubled trusts"), the Group may use its own funds to provide liquidity support to the trust schemes after assessing the repayment possibilities of the ultimate borrowers or other channels, the relationship with investors and the impact on the Company's reputation. If these troubled trusts meet the criteria for consolidated structured entities, the Group will consolidate these troubled trusts. As at 30 June 2023, the total assets of these consolidated trust schemes are RMB358 million (31 December 2022: RMB358 million) and the corresponding ECL is RMB154 million (31 December 2022: RMB154 million).

(All amounts are presented in RMB except otherwise stated)

VIII.INTERESTS IN OTHER ENTITIES (Continued)

2. Structured entities not included in the scope of consolidated financial statements

(1) Structured entities in which the Company acts as trustee

Based on the analysis and investigation of the potential target customers, the Company designs and provides trust products to meet the needs of the customers and the proceeds are then invested in the relevant financial markets or financial products as agreed in the trust contracts. Investment income is allocated to the trustors of the trust schemes in accordance with the relevant provisions of the trust contracts, and the Company receives remuneration as the trustee of the trust schemes.

As at 30 June 2023, the size of the unconsolidated structured entities in which the Company acted as the trustee of the trust schemes was approximately RMB164.808 billion (31 December 2022: RMB207.768 billion), and the trustee's remuneration receivable from these structured entities by the Company was RMB164 million (31 December 2022: RMB148 million). In addition, the Company invests in certain of these structured entities, which are recognised as financial assets held for trading or debt investments on the balance sheet.

(2) Structured entities managed by third parties which invested by the Company

As of June 30 2023, the Company invested in certain structured entities managed by third parties. These investments are classified as held for trading on the balance sheet. The Company did not provide any funding or other support to these structured entities.

(3) Unconsolidated structured entities invested by the Company

The Company invests in trust schemes managed by the Company as trustee and other structured entities established and managed by third parties. The Company does not control these structured entities, nor does it provide financial support or other types of support to these structured entities. Therefore, these structured entities are not consolidated.

The carrying amount and maximum exposure to loss of the unconsolidated structured entities invested by the Company in the balance sheet of the Company and the total size of the structured entities are set out as follows:

Item	30 June 2023	Maximum exposure to loss	Total size of structured entities
Unconsolidated structured entities managed and invested by the Company			
– Trading financial assets	753,920,239.03	753,920,239.03	6,881,890,663.91
– Debt investments	248,856,365.40	248,856,365.40	1,734,097,999.99
Unconsolidated structured entities managed by third parties			
– Mutual funds	738,739,182.42	738,739,182.42	Note
– Asset management schemes	1,116,250,080.40	1,116,250,080.40	Note
– Trust Industry Protection Fund	112,461,216.92	112,461,216.92	Note

Note: The total size of the above mutual funds, asset management schemes and trust industry protection funds managed by third parties is non-public information.

IX. RISKS RELATED TO FINANCIAL INSTRUMENTS

Details of the Group's major financial instruments, including financial assets held for trading, debt investments, loans and advances to customers See Note VI for details. The risks associated with these financial instruments and the risk management policies taken by the Group to mitigate these risks is described below. The management of the Group manages and monitors these risk exposures to ensure that the above risks are within the limited range.

1. Credit risk

(1) Credit risk measurement

Some of the Group's trust schemes are financing trust schemes. In this type of trust scheme, if the ultimate borrower fails to fulfil the repayment obligation, it will adversely affect the Group's right to receive fixed and variable remuneration in accordance with the trust contract. Pursuant to the trust contracts, the Group assesses and manages the default risk of the borrowers through due diligence, process approval and continuous post-lending monitoring. Measures taken by the Group to mitigate the default risk of borrowers mainly include obtaining third-party guarantees and collaterals. In most cases where the borrower defaults, the trust contract also requires the Group to take necessary mitigation and disposal measures to reduce the loss of trust assets in the best interests of the beneficiaries. However, the Group will not undertake to compensate the beneficiaries of the trust schemes for any fixed return or investment loss of the trust schemes, and such acts are prohibited by the relevant laws and regulations. The Group has no contractual obligation to provide liquidity or other support to any troubled trusts. In the past, after assessing other factors such as the likelihood of repayment by the ultimate borrower through itself or other channels and the potential impact on the Company's reputation, the Company used its own funds to make distributions to the third-party beneficiaries upon the expiry of the term of the trust schemes.

The Group's proprietary trading business primarily consists of granting proprietary loans and equity investments. The annual investment plan of the Company is formulated by the management of the Company, including the concentration of each type of investment, which shall be approved by the Board. Under the schemes, the Group invests in certain trust schemes, equity or unlisted equity investments, securities investment funds, loans or other asset management plans established and managed by the Company. For the Company's investments in its own trust schemes, the Group determines whether it is necessary to consolidate these trust schemes in the financial statements by assessing the impact of the Company's exposure to variable returns from these trust schemes. The presentation of the underlying assets of the consolidated trust schemes is the same as that of the parent company.

The estimation of credit risk exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of the credit risk of a portfolio of assets requires more estimates, such as the likelihood of default occurring, the associated loss rates and the correlation among counterparties. The Group uses Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD) to measure credit risk. This is similar to the measurement of expected credit losses under the new financial instrument standard. Please refer to Note IX.1. (2) for details.

IX. RISKS RELATED TO FINANCIAL INSTRUMENTS (Continued)

1. Credit risk (Continued)

(2) ECL measurement

The new financial instrument standard 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 since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit impaired. Please refer to note IX.1.(2) ① for the judgement when a significant increase in credit risk has occurred.

— If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'. Please refer to note note IX.1.(2) ② for the definition of the Group on credit-impaired and default.

— Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on ECL on a lifetime basis. Please refer to note IX.1.(2) ③ for a description of inputs, assumptions and estimation techniques used in measuring the ECL.

— A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information. Note IX.1.(2) ④includes 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.

The impairment requirement of new financial instruments (other than purchased or originated credit-impaired assets):

Stage 1 (initial recognition): 12-month ECL

Stage 2 (significant increase in credit risk since initial recognition): lifetime ECL

Stage 3 (credit-impaired assets): lifetime ECL.

IX. RISKS RELATED TO FINANCIAL INSTRUMENTS (Continued)

1. Credit risk (Continued)

(2) ECL measurement (Continued)

The key judgements and assumptions adopted by the Group in measuring the ECL under the new financial instruments standards are discussed below:

① *Significant increase in credit risk (SICR)*

The Group considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met:

Quantitative criteria: The borrower is more than 30 days past due on its contractual payments.

Qualitative criteria: If the borrower is on the watchlist and/or the instrument meets one or more of the following criteria:

– Significant increase in credit spread

– Actual or expected forbearance or restructuring

– Actual or expected significant adverse change in operating results of the borrower

The criteria used to identify SICR are monitored and reviewed periodically for appropriateness by the independent Credit Risk team.

As of 30 June 2023, no financial instrument was deemed as having low credit risk by the Group, and thus it will no longer compare whether there is significant increase in credit risk on the reporting date compared with the initial recognition.

IX. RISKS RELATED TO FINANCIAL INSTRUMENTS (Continued)

1. Credit risk (Continued)

(2) ECL measurement (Continued)

② Definition of default and credit-impaired assets

The Group defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

Quantitative criteria: The borrower is more than 90 days past due on its contractual payments.

Qualitative criteria: The borrower meets 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.

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.

IX. RISKS RELATED TO FINANCIAL INSTRUMENTS (Continued)

1. Credit risk (Continued)

(2) ECL measurement (Continued)

③ *Measuring ECL – Explanation of parameters, assumptions and estimation techniques*

The ECL is measured on either a 12-month (12M) or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. ECL are the discounted product of the PD, EAD, and LGD, defined as follows:

– The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months, or over the remaining lifetime 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 or over the remaining lifetime.

– 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.

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The Lifetime PD is developed by applying a maturity profile to the current 12-month PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. This is supported by historical analysis.

The 12-month and lifetime EADs are determined based on the expected payment profile.

The lifetime LGDs are determined based on the factors which impact the recoveries made post default.

Forward-looking economic information is also included in determining the 12-month and lifetime PD. Refer to note IX.1.(2) ④ for an explanation of forward-looking information and its inclusion in ECL calculations.

There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

(All amounts are presented in RMB except otherwise stated)

IX. RISKS RELATED TO FINANCIAL INSTRUMENTS (Continued)

1. Credit risk (Continued)

(2) ECL measurement (Continued)

④ Forward-looking information incorporated in the ECL models

The calculation of SICR and ECL incorporates forward-looking information. The Group has performed historical analysis and identified the key economic variables impacting credit risk and ECL.

The Group selects a series of macroeconomic indicators (including China business climate index and China real estate climate index) based on industry practices and expert judgments, and then establishes a statistical relationship between the actual default probability and macroeconomic factors for model exposures. The prospective results of the actual PD are obtained by calculating the predicted values of the corresponding macroeconomic factors.

In addition to the basic economic scenario, the Group provides other possible scenarios along with scenario weightings to ensure non-linearities are captured. The number of scenarios and their attributes are reassessed at each reporting date. At 31 December 2022 and 30 June 2023, the Group concluded that three scenarios appropriately captured non-linearities. The scenario weightings are determined by a combination of statistical analysis and expert credit judgement, taking account of the range of possible outcomes each chosen scenario is representative of. These probability weighted ECLs are determined by running each scenario through the relevant ECL model and multiplying it by the appropriate scenario weighting (as opposed to weighting the inputs).

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Group considers these forecasts to represent its best estimate of the possible outcomes and has analysed the non-linearities and asymmetries within the Group's different portfolios to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

Economic variable assumptions

The most significant period-end assumptions used for the ECL estimate as at 30 June 2023 are set out below. The scenarios "base", "upside" and "downside" were used for all portfolios. The weightings assigned to each economic scenario were 50%, 20%, 30% respectively.

Item	Current forecast	Previous forecast
Business climate and entrepreneur index	96.42~129.67	93.07~132.12
Real estate climate index	89.68~103.49	90.80~104.88

IX. RISKS RELATED TO FINANCIAL INSTRUMENTS (Continued)

1. Credit risk (Continued)

(2) ECL measurement (Continued)

④ *Forward-looking information incorporated in the ECL models (Continued)*

Sensitivity analysis

The ECL outcome is sensitive to judgement and estimations made with regards to the formulation and incorporation of multiple forward-looking economic conditions described above. As a result, management assessed and considered the sensitivity of the ECL outcome against the forward-looking economic conditions as part of the ECL governance process by recalculating the ECL for selected portfolios where 100% weighting is assigned to each of the three scenarios described above. The weighting is reflected in the measurement of the resulting ECL. This analysis excludes any management adjustment. Further details on management adjustment is provided below.

The three economic scenarios are generated to capture the bank's view of a range of possible forecast economic conditions that is sufficient for the calculation of unbiased and probability weighted ECL. Therefore, the ECLs calculated for each of the scenarios represent a range of possible outcomes that is being evaluated while arriving at the ECL. As a result, the ECL calculated for the Upside and Downside scenarios should not be taken to represent the upper and lower limits of possible actual ECL outcomes. The ECL sensitivity below represents an estimate based on the underlying point-in-time distribution of economic scenarios which have the potential to change rapidly as economic conditions evolve where we operate. The recalculated ECLs for each of the scenarios should be read in the context of the sensitivity analysis as a whole.

The sensitivity of ECL of loans and advances, debt investments to the future economic condition is as follows:

Item	**Closing balance**	Opening balance
Impairment loss after weighted average of three scenarios	**2,652,441,591.76**	2,405,180,372.71
ECL provision under base scenario	**2,624,134,924.12**	2,378,454,484.59
ECL provision under upside scenario	**2,760,615,868.52**	2,506,251,155.21
ECL provision under downside scenario	**2,555,263,719.32**	2,317,695,390.00

(All amounts are presented in RMB except otherwise stated)

IX. RISKS RELATED TO FINANCIAL INSTRUMENTS (Continued)

1. Credit risk (Continued)

(3) Maximum exposure to credit risk

① Financial instruments subject to impairment

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The carrying amount of financial assets below also represents the Group's maximum exposure to credit risk on these assets.

Item	Original carrying amount	Closing Impairment provision	Net carrying amount
Monetary fund (Stage 1)	249,949,949.65		249,949,949.65
Purchase and resale of financial assets (Stage 1)	499,593,539.24		499,593,539.24
Loans and advances (including interest receivable)	2,308,949,030.48	286,288,192.79	2,022,660,837.69
Stage 1	1,727,750,800.67	90,122,371.88	1,637,628,428.79
Stage 2			
Stage 3	581,198,229.81	196,165,820.91	385,032,408.90
Debt investments (including interest receivable)	6,134,771,343.10	2,368,182,271.68	3,766,589,071.42
Stage 1	251,942,988.92	11,854,662.78	240,088,326.14
Stage 2	403,299,393.25	35,409,167.14	367,890,226.11
Stage 3	5,479,528,960.93	2,320,918,441.76	3,158,610,519.17
Other financial assets – measured at amortised cost	367,286,333.78	48,951,983.14	318,334,350.64
Stage 1	201,746,943.76	8,747,503.89	192,999,439.87
Stage 2	134,957,866.34	11,849,300.64	123,108,565.70
Stage 3	30,581,523.68	28,355,178.61	2,226,345.07
Total	9,560,550,196.25	2,703,422,447.61	6,857,127,748.64

(All amounts are presented in RMB except otherwise stated)

IX. RISKS RELATED TO FINANCIAL INSTRUMENTS (Continued)

1. Credit risk (Continued)

(3) Maximum exposure to credit risk (Continued)

① Financial instruments subject to impairment (Continued)

Item	Original carrying amount	Opening Impairment provision	Net carrying amount
Monetary fund (Stage 1)	2,240,590,484.12		2,240,590,484.12
Purchase and resale of financial assets (Stage 1)	357,260,491.66		357,260,491.66
Loans and advances (including interest receivable)	1,254,016,660.54	230,045,566.35	1,023,971,094.19
Stage 1	868,008,960.54	52,911,834.61	815,097,125.93
Stage 2	8,400,000.00	795,480.00	7,604,520.00
Stage 3	377,607,700.00	176,338,251.74	201,269,448.26
Debt investments (including interest receivable)	6,008,903,481.60	2,176,168,648.67	3,832,734,832.93
Stage 1	179,554,083.37	7,384,385.61	172,169,697.76
Stage 2	565,528,848.72	62,305,373.25	503,223,475.47
Stage 3	5,263,820,549.51	2,106,478,889.81	3,157,341,659.70
Other financial assets – measured at amortised cost	282,253,888.39	24,079,415.59	258,174,472.80
Stage 1	244,288,885.49	7,163,731.33	237,125,154.16
Stage 2	20,791,973.47	1,968,999.90	18,822,973.57
Stage 3	17,173,029.43	14,946,684.36	2,226,345.07
Total	10,143,025,006.31	2,430,293,630.61	7,712,731,375.70

② Loans to customers with credit loss

The original value and impairment of loans and advances and the value of collateral held are as follows:

Item	**Closing balance**	Opening balance
Original amount of loans and advances	**580,637,700.00**	377,607,700.00
Less: ECL	**196,107,251.74**	176,338,251.74
Net loans and advances	**384,530,448.26**	201,269,448.26
Collateral value	**644,799,162.37**	267,491,384.59

The value of collateral is determined in accordance with the latest available third-party evaluation result and taking into the liquidity and market conditions.

(All amounts are presented in RMB except otherwise stated)

IX. RISKS RELATED TO FINANCIAL INSTRUMENTS (Continued)

1. Credit risk (Continued)

(3) Maximum exposure to credit risk (Continued)

③ Debt investments with credit loss

The original value and impairment of debt investments and the value of collateral held are as follows:

Item	Closing balance	Opening balance
Original amount of debt investments	5,479,528,960.93	5,263,820,549.51
Less: ECL	2,320,918,441.76	2,106,478,889.81
Net debt investments	3,158,610,519.17	3,157,341,659.70
Collateral value	4,123,653,584.39	3,937,785,344.88

The value of collateral is determined in accordance with the latest available third-party evaluation result and taking into the liquidity and market conditions.

2. Market risk

(1) Market price risk

Market price risk refers to the risk that the fair value or future cash flow of financial instruments held by the Group will fluctuate due to market price factors other than market interest rate and foreign exchange rate. The Group mainly invests in stocks, funds and equity of unlisted companies, and the maximum market price risk is determined by the fair value of the financial instruments it held.

The Company selects and disperses the investment portfolio based on the investment limit set by the board of directors in order to manage the relevant price risks.

The following table summarizes the Group's market price risk. For the balance sheet items, it shall be presented in accordance with its book value on balance sheet date.

	Opening		Closing	
Name of investors	Fair value	% of net asset	Fair value	% of net asset
Financial assets at FVTPL	4,897,894,398.20	44.09	4,082,960,835.53	37.34
Investments of associate at fair value	337,832,924.00	3.04	387,404,424.00	3.54
Assets held for sale			675,177,700.00	6.17

(All amounts are presented in RMB except otherwise stated)

IX. RISKS RELATED TO FINANCIAL INSTRUMENTS (Continued)

2. Market risk (Continued)

(1) Market price risk (Continued)

The following tables illustrate the impact of an increase or decrease of 1% in price of financial assets at FVTPL and investments of associate at fair value on the Group's net profit and shareholders' equity.

Net profit	Amount recognised for the period	Amount recognised in previous period
Increase 1%	39,267,954.92	38,591,572.20
Decrease 1%	-39,267,954.92	-38,591,572.20

Shareholders' equity	**Closing balance**	Opening balance
Increase 1%	**39,267,954.92**	38,591,572.20
Decrease 1%	**-39,267,954.92**	-38,591,572.20

(2) Interest rate risk

Interest rate risk refers to the possibility that the Group's financial position and cash flow fluctuates due to changes in market interest rate. The changes in market interest rate may lead to increase or decrease in interest income of the Group, which will impact the amount of total profit and shareholders' equity. The Group's interest rate risk management is mainly focused on cash flow interest rate risk management.

As at 30 June 2023, the main interest-bearing assets held by the Group include monetary fund, loan, debt investments and financial assets purchased under resale agreements which accounts 47.50% of total assets of the Group (31 December 2022: 51.46%). The majority of monetary fund, loans and financial assets purchased under resale agreements will expire within one year and thus the cash flow interest rate risk of the Group for holding these assets is not significant.

As at 30 June 2023, the Company's main interest bearing liability includes borrowing from China Trust Protection Fund Co., Ltd. of RMB700 million, which amounted to 26.98% of total liabilities of the Group (31 December 2022: RMB2,000 million, which amounted to 56.76% of total liabilities of the Group). Such short-term borrowings are fixed rate, with no interest risk.

The Group also invests in certain financing trust schemes established and managed by itself. The underlying assets of these financing trust schemes are mainly loans to customers. The investors of these trust schemes including the Group are entitled to an expected investment return at fixed rate throughout the whole investment period. The Group is not subject to significant risk from the volatility of market interest rate or changes in benchmark interest rate.

IX. RISKS RELATED TO FINANCIAL INSTRUMENTS (Continued)

2. Market risk (Continued)

(3) Foreign exchange risk

The Group's business is mainly operated in the PRC and settled in RMB. As at 30 June 2023, all proceeds from issuance of H shares were settled to the Company's domestic accounts, which was not expected to have a material impact on foreign exchange risk of the Group.

3. Liquidity risk

Liquidity risk is the risk that the Group may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

The Group forecasts its cash flows and monitors the short-term and long-term capital need to ensure it has sufficient cash reserve and securities that are readily convertible to cash. The Group holds sufficient unrestricted cash at bank to satisfy the capital need for the daily operations. As at 30 June 2023, the Group has a short-term borrowing from China Trust Protection Fund Co., Ltd. amounting to RMB700 million (31 December 2022: RMB2,000 million).

The majority of the Group's financial liabilities on the consolidated balance sheet are amount attributable to third party beneficiaries of the trust schemes included in the scope of consolidation. Management is of the view that the Group is not subject to significant liquidity risk.

X. 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, ensure the Company operates as a going concern, provide shareholders' returns and benefits other stakeholders, while maintaining a optimal capital structure to reduce capital costs.

The Company prudently determines the objectives of net capital and risk-based capital management which meet the regulatory requirements and are in line with its own risk exposure. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend distribution or issue new shares.

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

(All amounts are presented in RMB except otherwise stated)

XI. FAIR VALUE DISCLOSURE

1. Fair value hierarchy

The level of the fair value measurement result is determined by the lowest level of the input value which is of great significance to the fair value measurement as a whole:

Level 1: unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2: direct or indirect observable inputs for underlying assets or liabilities other than inputs within Level 1.

Level 3: unobservable inputs for underlying assets or liabilities.

2. Closing fair value of assets and liabilities not measured at fair value

Financial assets and liabilities in the financial statement which are not measured at fair value mainly include: monetary fund, financial assets purchased under resale agreements, loans and advances, debt investments, other investments, short-term borrowings, net asset attributable to third party investors of consolidated structured entities and other payables. As of 30 June 2023 and 31 December 2022, their fair value approximate carrying amounts.

3. Closing fair value of assets and liabilities measured at fair value

		Closing fair value			
Item		Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	Total
I.	**Continuous fair value measurement**				
(i)	financial assets held for trading	1,165,011,273.66	1,160,581,853.35	2,572,301,271.19	4,897,894,398.20
1.	Financial assets at FVTPL	1,165,011,273.66	1,160,581,853.35	2,572,301,271.19	4,897,894,398.20
(1)	Equity investments	426,272,091.24	1,113,306,451.37		1,539,578,542.61
(2)	Equity investments of unlisted companies			589,669,734.84	589,669,734.84
(3)	Bonds investments		47,275,401.98		47,275,401.98
(4)	Investments in assets management plans			1,116,250,080.40	1,116,250,080.40
(5)	Investments in mutual funds	738,739,182.42			738,739,182.42
(6)	Investments in trust schemes of equity products			753,920,239.03	753,920,239.03
(7)	Investments in trust industry protection fund			112,461,216.92	112,461,216.92
(ii)	Long term equity investment – associates			337,832,924.00	337,832,924.00
Total assets with continuous fair value measurement		1,165,011,273.66	1,160,581,853.35	2,910,134,195.19	5,235,727,322.20

(All amounts are presented in RMB except otherwise stated)

XI. FAIR VALUE DISCLOSURE (Continued)

3. Closing fair value of assets and liabilities measured at fair value (Continued)

Item		Opening fair value			
		Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	Total
I.	Continuous fair value measurement				
(i)	financial assets held for trading	1,515,559,904.84	390,546,036.30	2,176,854,894.39	4,082,960,835.53
1.	Financial assets at FVTPL	1,515,559,904.84	390,546,036.30	2,176,854,894.39	4,082,960,835.53
(1)	Equity investments	43,366,067.00			43,366,067.00
(2)	Equity investments of unlisted companies			596,213,826.59	596,213,826.59
(3)	Bonds investments		390,546,036.30		390,546,036.30
(4)	Investments in assets management plans			697,700,734.59	697,700,734.59
(5)	Investments in mutual funds	1,472,193,837.84			1,472,193,837.84
(6)	Investments in trust schemes of equity products			773,059,591.74	773,059,591.74
(7)	Investments in trust industry protection fund			109,880,741.47	109,880,741.47
(ii)	Long term equity investment – associates			387,404,424.00	387,404,424.00
(iii)	Assets held for sale			675,177,700.00	675,177,700.00
Total assets with continuous fair value measurement		1,515,559,904.84	390,546,036.30	3,239,437,018.39	5,145,542,959.53

The Group uses the date of the event that caused the transfer between each level as the time point for the recognition of transfer between each level. There is no transfer between Level 1 and Level 2 in this period and previous period.

(1) Basis for determining the market price of continuous and non-continuous Level 1 items measured at fair value

The fair value of financial instruments traded in active markets is based on quoted market prices (unadjusted) at the balance sheet date. A market is regarded as active if quoted prices are readily available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions. The quoted market price used for financial assets held by the Group is the current bid price. Instruments included in Level 1 comprise primarily mutual funds and listed shares.

(All amounts are presented in RMB except otherwise stated)

XI. FAIR VALUE DISCLOSURE (Continued)

3. Closing fair value of assets and liabilities measured at fair value (Continued)

(2) Continuous and non-continuous Level 2 items measured at fair value, qualitative and quantitative information of valuation technique and important parameters adopted

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

(3) Continuous and non-continuous Level 3 items measured at fair value, qualitative and quantitative information of valuation technique and important parameters adopted

The movement of Level 3 assets as follow:

Item	Financial assets at FVTPL	Long term equity investments	Assets held for sale	Total
1 January 2023	2,176,854,894.39	387,404,424.00	675,177,700.00	3,239,437,018.39
Purchase/transfer	170,203,178.60			170,203,178.60
Sale/transfer	-151,338,978.61	-49,571,500.00	-675,177,700.00	-876,088,178.61
Changes of gain or loss through profit or loss	376,582,176.81			376,582,176.81
30 June 2023	2,572,301,271.19	337,832,924.00		2,910,134,195.19
Assets held as at 30 June 2023 included in unrealized gain or loss of gains from change in fair value through profit or loss	8,164,601.99			8,164,601.99

Note: Gain or loss through profit or loss are included in items such as gains from change in fair value, investment income, assets impairment loss.

(All amounts are presented in RMB except otherwise stated)

XI. FAIR VALUE DISCLOSURE (Continued)

3. Closing fair value of assets and liabilities measured at fair value (Continued)

(3) Continuous and non-continuous Level 3 items measured at fair value, qualitative and quantitative information of valuation technique and important parameters adopted (Continued)

Information about Level 3 fair value measurement using important unobservable inputs is as follow:

Item	Fair value as at 30 June 2023	Valuation technique	Name	Unobservable inputs range/Weighted average	Relationship with fair value
Financial assets at FVTPL – Equity investments of non-listed companies	162,563,643.03	Comparable method	PB ratio Liquidity discount	1.11% 21%	Positive correlation
Debt investments	48,423,340.01	Discounted cash flow method	Discount rate	13%~14%	Negative correlation
Long-term equity investments – associates	337,832,924.00	Discounted cash flow method	Discount rate	18%~34%	Negative correlation

As at 30 June 2023, remaining fair value classified as Level 3 investments amounted to RMB2,361,314,288.15 (31 December 2022: RMB2,650,455,882.51), which is calculated on the basis of unobservable inputs such as net asset value of securities investment portfolio.

XII. RELATED PARTIES AND CONNECTED TRANSACTIONS

(I) Relationship of related parties

1. Parent of the Company

(1) Information of parent of the Company

Name of parent	Place of incorporation	Business nature	Registered capital	Shareholding in the Company	Voting rights in the Company
Shandong Lucion Investment Holdings Group Co., Ltd.	Jinan, Shandong	Foreign investment and management, investment consulting, asset management, custody operation, capital operation and guarantee	3,120,000.00	52.96%	52.96%

Note: Among which, Shandong Lucion Investment Holdings Group Co., Ltd. indirectly holds 4.83% through its subsidiary Shandong High-tech Investment Corporation (31 December 2022: 4.83%).

(All amounts are presented in RMB except otherwise stated)

XII. RELATED PARTIES AND CONNECTED TRANSACTIONS (Continued)

(I) Relationship of related parties (Continued)

1. *Parent of the Company (Continued)*

(2) Registered capital of parent and its changes

Name of parent	Opening balance	Increase in the period	Decrease in the period	Closing balance
Shandong Lucion Investment Holdings Group Co., Ltd.	31,200,000,000.00			**31,200,000,000.00**

(3) Shares or equity held by parent and its changes

Name of parent	Shareholding amount		Shareholding (%)	
	Closing balance	Opening balance	**Closing**	Opening
Shandong Lucion Investment Holdings Group Co., Ltd.	**2,242,202,578.74**	2,242,202,578.74	**52.96**	52.96

Note: Among which, the shareholding of Shandong Lucion Investment Holdings Group Co., Ltd. indirectly holds through its subsidiary Shandong High-tech Investment Corporation amounted to 225,000,000.00 (31 December 2022: 225,000,000.00).

2. *Subsidiaries*

Please refer to Note "VIII.1.(1) Composition of enterprise group "for details of subsidiaries.

3. *Other related parties*

Name of other related parties	Relationship with the Company
Luxin Technology Co., Ltd.	Other enterprises controlled by the same controlling shareholder and ultimate controlling party
Jinan Luxin Asset Management Co., Ltd.	Other enterprises controlled by the same controlling shareholder and ultimate controlling party
Shandong Financial Asset Management Co., Ltd.	Other enterprises controlled by the same controlling shareholder and ultimate controlling party
First-Trust Fund Management Co., Ltd.	Other enterprises controlled by the same controlling shareholder and ultimate controlling party

(All amounts are presented in RMB except otherwise stated)

XII. RELATED PARTIES AND CONNECTED TRANSACTIONS (Continued)

(II) Connected transactions

1. *Transactions with trust schemes as a related party*

Trust schemes controlled by the Group or Lucion Group, being related parties of the Group:

Item	30 June 2023	31 December 2022
Number of trust schemes controlled by the Group (Note VIII.1.(2))	**21**	19
Number of trust schemes controlled by Lucion Group (Except for the Group)	**14**	13

Trust schemes controlled by the Group have been included in the scope of consolidated financial statements, and the paid-up trusts scale of trust schemes controlled by Lucion Group (except for the Group) is as follow:

Item	30 June 2023	31 December 2022
Trust schemes controlled by Lucion Group	**5,546,560,160.89**	3,667,814,765.28

The trust remuneration obtained by the Group from the trust schemes controlled by Lucion Group (except for the Group) is as follow:

Item	January – June 2023	January – June 2022
Trust remuneration	**3,034,116.39**	1,401,656.55

(All amounts are presented in RMB except otherwise stated)

XII. RELATED PARTIES AND CONNECTED TRANSACTIONS (Continued)

(II) Connected transactions (Continued)

2. *Related parties as trustors of trust schemes*

From January to June 2023, the related parties who invested in the consolidated trust scheme established and managed by the Company as trustor included Shandong Lucion Group and its subsidiaries, joint ventures and associates (January – June 2022: same).

(1) *Related parties as trustors of trust schemes included in the scope of consolidated financial statement*

No related parties as trustors of trust schemes is included in the scope of consolidated financial statement.

(2) *Related parties as trustors of trust schemes not included in the scope of consolidated financial statement*

Item	30 June 2023	31 December 2022
Number of trust schemes with related parties as trustors	**18**	19
Interests entitled to related party	**6,081,752,565.95**	5,338,713,565.64
Total size of these trust schemes	**7,154,460,160.89**	7,566,953,686.48

Trust remuneration contributed by these trust schemes is recorded as Fee and commission income in the consolidated income statement:

Item	January – June 2023	January – June 2022
Fee and commission income	**6,732,578.02**	4,667,157.20

(All amounts are presented in RMB except otherwise stated)

XII. RELATED PARTIES AND CONNECTED TRANSACTIONS (Continued)

(II) Connected transactions (Continued)

3. *Related parties as counterparty of trust schemes not included in the scope of consolidated financial statement*

Item	30 June 2023	31 December 2022
Number of trust schemes with related parties as counterparty	**4**	3
Amount financed by related parties	**489,500,000.00**	414,377,215.22
Total size of these trust schemes	**489,500,000.00**	414,377,215.22

Trust remuneration contributed by these trust schemes is recorded as Fee and commission income in the consolidated income statement:

Item	January – June 2023	January – June 2022
Fee and commission income	**3,660,318.16**	10,762,448.05

4. *Related parties as counterparty of trust schemes included in the scope of consolidated financial statement*

Item	30 June 2023	31 December 2022
Number of trust schemes with related parties as counterparty	**2**	3
Amount financed by related parties	**262,972,075.22**	115,834,860.00
Total size of these trust schemes	**306,200,000.00**	197,320,000.00

Trust remuneration contributed by these trust schemes is recorded as interest income in the consolidated income statement:

Item	January – June 2023	January – June 2022
Fee and commission income	**7,437,164.89**	

(All amounts are presented in RMB except otherwise stated)

XII. RELATED PARTIES AND CONNECTED TRANSACTIONS (Continued)

(II) Connected transactions (Continued)

5. *Related parties transactions with key management personnel and their immediate family members*

Key management personnel are those persons who have the authority and responsibility to plan, direct and control the activities of the Group, including directors, supervisors, and senior management personnel.

(1) Key management compensation

Item	January – June 2023	January – June 2022
Remuneration of key management	4,648,339.99	5,829,015.77

(2) Investments of key management in trust schemes managed by the Company (as trustee of trust schemes)

Item	30 June 2023	31 December 2022
Investment amount	421,919.00	711,199.14
Total size of these trust schemes	12,145,733.00	112,770,323.65

Trust remuneration contributed by these trust schemes is recorded as Fee and commission income in the consolidated income statement:

Item	January – June 2023	January – June 2022
Fee and commission income	56,277.00	1,122,286.81

(All amounts are presented in RMB except otherwise stated)

XII. RELATED PARTIES AND CONNECTED TRANSACTIONS (Continued)

(II) Connected transactions (Continued)

6. *Other connected transactions*

(1) *Goods and services*

Related parties	Content of connected transaction	Amount recognised for the period	Amount recognised in the previous period
Luxin Technology Co., Ltd.	System maintenance expenses	2,051,886.79	2,200,000.00
Jinan Luxin Asset Management Co., Ltd.	Welfare fee	733,034.66	1,038,391.48
	Rental fee	10,146,139.46	2,665,945.70
Shandong Lucion Investment Holdings Group Co., Ltd.	Guarantee fee	2,321,342.43	3,852,017.90
	Equity transfer	675,177,700.00	
Shandong Financial Asset Management Co., Ltd.	Prepaid legal fees Property liability insurance premium and legal service fee	15,503,905.00	
合計		705,934,008.34	9,756,355.08

(III) Related parties' balances

1. *Receivables*

Item	Related parties	Closing balance Book balance	Closing balance Provision for bad debt	Opening balance Book balance	Opening balance Provision for bad debt
Other receivables	Shandong Financial Asset Management Co., Ltd.	**105,503,905.00**	**9,263,242.86**	90,000,000.00	
Prepayment	Shandong Lucion Investment Holdings Group Co., Ltd.			1,867,945.17	
Prepayment	Jinan Luxin Asset Management Co., Ltd.	**448,734.82**		148,931.43	

XII. RELATED PARTIES AND CONNECTED TRANSACTIONS (Continued)

(III) Related parties' balances (Continued)

2. Payables

Item	Related parties	Closing book balance	Opening book balance
Payables	Jinan Luxin Asset Management Co., Ltd.	**12,044,589.05**	2,223,573.31
Payables	Luxin Technology Co., Ltd.	**2,051,886.79**	
Other payables	Shandong Lucion Investment Holdings Group Co., Ltd.	**453,397.26**	
Other payables	First-Trust Fund Management Co., Ltd.	**19,840.63**	

XIII. CONTINGENCY

As of 30 June 2023, the Group has no contingencies need to be disclosed.

XIV. COMMITMENTS

As of 30 June 2023, the Group had no other major commitments.

XV. POST BALANCE SHEET EVENTS

As of the date of approval of the financial report, the Group has no post balance sheet events need to be disclosed.

XVI. OTHER SIGNIFICANT EVENTS

1. Segment information

The Group determines operating segments based on internal organisational structure, management requirements and internal reporting system, and determines reporting segments based on operating segments and discloses segment information. The senior management represented by the general manager is the main business decision-maker of the Group.

Segment assets and liabilities, segment income, expenses and operating results are measured on the basis of the Group's accounting policies. There is no difference between the accounting policies adopted to prepare the information of operating segments and those adopted to prepare the financial statements of the Group.

Segment income, operating results, assets and liabilities include items directly belonging to a segment and items that can be allocated on a reasonable basis.

The Group has two reporting segments, being proprietary business and trust business.

(All amounts are presented in RMB except otherwise stated)

XVI. OTHER SIGNIFICANT EVENTS (Continued)

1. Segment information (Continued)

(1) Segment information for January to June 2023 and 30 June 2023 is set out below:

Item	Amount recognised for the period Proprietary business	Trust business	Unallocated	Total
Fee and net commission income		416,611,671.63		416,611,671.63
Net interest income	34,907,283.60	106,741.65		35,014,025.25
Fair value gains or losses	212,071,055.06			212,071,055.06
Loss on changes in net assets attributable to third-party investors	31,763,513.05			31,763,513.05
Investment income	133,774,950.24			133,774,950.24
Other business income	4,899,395.52			4,899,395.52
Gain on disposal of assets	22,753.28			22,753.28
Exchange gain	0.34			0.34
Total operating income	**417,438,951.09**	**418,718,413.28**		**836,157,364.37**
Tax and surcharges	724,499.10	4,468,613.50		5,193,112.60
Business and administrative expenses	3,007,153.56	160,963,678.55		163,970,832.11
Credit assets impairment losses	278,020,439.58			278,020,439.58
Other business costs	175.97	251,214.01		251,389.98
Total operating expense	**281,752,268.21**	**165,683,506.06**		**447,435,774.27**
Non-operating Income	2,922,007.48			2,922,007.48
Non-operating expense	81,005.14	115,640,625.78		115,721,630.92
Gross profit	**138,527,685.22**	**137,394,281.44**		**275,921,966.66**

Item	Closing balance Proprietary business	Trust business	Unallocated	Total
Total assets	12,600,575,462.08	950,612,206.45	153,166,846.17	13,704,354,514.70
Total liabilities	2,275,884,808.44	283,340,795.88	35,647,566.42	2,594,873,170.74

(All amounts are presented in RMB except otherwise stated)

XVI. OTHER SIGNIFICANT EVENTS (Continued)

1. Segment information (Continued)

(2) Segment information for January to June 2022 and 31 December 2022 is set out below:

Item	Amount recognised in the previous period Proprietary business	Trust business	Unallocated	Total
Fee and net commission income		515,606,535.34		515,606,535.34
Net interest income	-22,021,815.29	984,954.52		-21,036,860.77
Fair value gains or losses	35,870,000.67			35,870,000.67
Loss on changes in net assets attributable to third-party investors	46,026,020.78			46,026,020.78
Investment income	227,917,843.35			227,917,843.35
Other business income	1,316,336.86			1,316,336.86
Exchange gain	0.42			0.42
Total operating income	**289,108,386.79**	**516,591,489.86**		**805,699,876.65**
Tax and surcharges	702,704.89	5,496,478.95		6,199,183.84
Business and administrative expenses	3,901,750.92	143,771,882.12		147,673,633.04
Credit assets impairment losses	1,347,287,292.44			1,347,287,292.44
Other business costs	5,812.28	359,739.98		365,552.26
Total operating expense	**1,351,897,560.53**	**149,628,101.05**		**1,501,525,661.58**
Non-operating Income	364,245.48			364,245.48
Non-operating expense	6,416.48	397,135.52		403,552.00
Gross profit	**-1,062,431,344.74**	**366,566,253.29**		**-695,865,091.45**

Item	Opening balance Proprietary business	Trust business	Unallocated	Total
Total assets	13,505,358,763.93	821,204,101.83	131,569,407.02	14,458,132,272.78
Total liabilities	3,207,520,958.75	277,533,991.55	38,809,450.93	3,523,864,401.23

2. Provision for estimated liabilities

On 22 May 2023, the Intermediate People's Court of Binzhou City, Shandong Province issued a judgment on the case of a private lending dispute between Shandong Qixing Real Estate Company ("Shandong Qixing") and Rizhao Hainadijing Real Estate Co., Ltd. ("Rizhao Dijing"), Shandong Haina Real Estate Co., Ltd. ("Haina Real Estate Company") and our Company, which upheld the first instance judgment that our Company shall assume the supplementary compensation liability for the payment of the loan principal of RMB100 million and related interest by Rizhao Dijing to Shandong Qixing. As the bank deposit of the Company of RMB115 million has been frozen by The Intermediate People's Court of Binzhou City, Shandong Province, the Company has made provision for estimated liabilities of approximately RMB114 million based on the judgment of The Intermediate People's Court of Binzhou City, Shandong Province.

(All amounts are presented in RMB except otherwise stated)

XVII. NOTES TO MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF PARENT

1. Loans and advances

Item	Closing balance	Opening balance
Loans and advances	**115,000,000.00**	115,000,000.00
Interest receivable	**3,881,888.89**	297,083.33
Less: ECL allowance – principal	**5,884,118.22**	7,697,675.92
ECL allowance-interest receivable	**198,621.68**	19,874.87
Net loans and advances	**112,799,148.99**	107,579,532.54

(1) Movement of principals

Principals	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2023	115,000,000.00			115,000,000.00
Additions for the period				
Disposals for the period				
Transfer in for the period				
Balance as at 30 June 2023	115,000,000.00			115,000,000.00

(2) Expected credit losses

Allowance for loan losses	Stage 1 ECL within the next 12 months	Stage 2 Lifetime ECL (not credit-impaired)	Stage 3 Lifetime ECL (credit-impaired)	Total
Balance as at 1 January 2023	7,697,675.92			7,697,675.92
Provision for the period				
Reversal for the period	1,813,557.70			1,813,557.70
Transfers for the period				
Resale for the period				
Balance as at 30 June 2023	5,884,118.22			5,884,118.22

(All amounts are presented in RMB except otherwise stated)

XVII. NOTES TO MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF PARENT (Continued)

2. Financial assets held for trading

Item	Closing balance	Opening balance
Equity investments	**2,088,517,870.97**	599,312,717.99
Including: Stock investments	**1,539,578,542.61**	43,366,067.00
Equity investments in unlisted companies	**548,939,328.36**	555,946,650.99
Investment in asset management scheme	**1,116,250,080.40**	687,640,734.59
Public fund investments	**728,710,516.04**	1,472,165,933.93
Bond investments	**11,119,605.00**	320,707,772.59
Investments in trust schemes	**753,920,239.03**	725,659,591.74
Trust Industry Protection Fund	**111,447,735.70**	108,895,194.23
Total	**4,809,966,047.14**	3,914,381,945.07

3. Debt investments

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

(1) *Movement of principals*

Principals	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2023	176,196,611.03	565,528,848.72	5,263,820,549.51	6,005,546,009.26
Additions for the period	115,000,000.00		108,900,000.00	223,900,000.00
Repayment for the period	3,037,200.00	11,583,733.98	23,388,542.95	38,009,476.93
Disposals for the period				
Transfer in for the period		-130,196,954.37	130,196,954.37	
– Transfer from Stage 2 to Stage 3		-130,196,954.37	130,196,954.37	
Transfer out for the period	40,200,000.00	20,448,767.12		60,648,767.12
Balance as at 30 June 2023	247,959,411.03	403,299,393.25	5,479,528,960.93	6,130,787,765.21

(All amounts are presented in RMB except otherwise stated)

XVII. NOTES TO MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF PARENT (Continued)

3. Debt investments (Continued)

(2) Expected credit losses

Impairment provision for debt investments	Stage 1 ECL within the next 12 months	Stage 2 Lifetime ECL (not credit-impaired)	Stage 3 Lifetime ECL (credit-impaired)	Total
Balance as at 1 January 2023	7,217,642.83	62,305,373.25	2,106,478,889.81	2,176,001,905.89
Provision for the period	4,459,038.40	-14,201,049.38	201,744,395.22	192,002,384.24
Resale for the period				
Transfer in for the period		-12,695,156.73	12,695,156.73	
– Transfer from Stage 2 to Stage 3		-12,695,156.73	12,695,156.73	
Balance as at 30 June 2023	11,676,681.23	35,409,167.14	2,320,918,441.76	2,368,004,290.13

4. Long term equity investments

Item	Closing balance	Opening balance
Associates accounted for using the equity method directly invested by the Company	**525,210,393.96**	515,702,755.86
Structured entities invested – original amount	**1,990,620,273.12**	1,500,034,281.88
Less: Impairment provision for long term equity investments	**210,166,679.03**	176,885,760.67
Structured entities invested – net amount	**1,780,453,594.09**	1,323,148,521.21
Total	**2,305,663,988.05**	1,838,851,277.07

(All amounts are presented in RMB except otherwise stated)

XVII. NOTES TO MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF PARENT (Continued)

4. Long term equity investments (Continued)

(1) Associates accounted for using the equity method

Investee	Opening balance (carrying amount)	Changes for the period								Closing balance (carrying amount)	Closing balance of impairment provision
		Additional investment	Decrease in investment	Investment profit or loss recognised under equity method	Adjustment to other comprehensive income	Other changes in equity	Cash dividend or profit declared	Impairment provision	Others		
Associates accounted for using the equity method invested by the Company											
Dezhou Bank Co., Ltd. (德州銀行股份有限公司)	122,823,350.45			4,940,425.16	1,389,024.10					129,152,799.71	
Sinotruk Auto Finance Co., Ltd. (重汽汽車金融有限公司)	218,078,660.68			1,676,290.48	3,609.84					219,758,561.00	
Taishan Property & Casualty Insurance Co., Ltd. (泰山財產保險股份有限公司)	171,033,112.06			3,459,432.37	-1,256,337.08					173,236,207.35	
Anhui Luxin Private Equity Investment Fund Management Co., Ltd. (安徽魯信私募股權投資基金管理有限公司)	3,767,632.67			76,443.23			-781,250.00			3,062,825.90	
Total	515,702,755.86			10,152,591.24	136,296.86		-781,250.00			525,210,393.96	

(2) Investments in structured entities:

Item	Opening balance	Additional investment	Decrease in investment	Other transfer out	Impairment provision	Closing balance
Structured entities invested	1,323,148,521.21	621,126,758.92	130,540,767.68		33,280,918.36	1,780,453,594.09

(All amounts are presented in RMB except otherwise stated)

XVII. NOTES TO MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF PARENT (Continued)

5. Net interest income

Item	Amount recognised for the period	Amount recognised in the previous period
Interest income	24,637,958.14	12,659,448.62
Including: Cash and bank deposits	1,026,438.27	539,462.29
Loans and advances to customers	3,584,805.56	
Debt investments	9,975,832.03	1,582,794.52
Financial assets purchased under resale agreements	9,946,779.07	10,294,833.20
Other	104,103.21	242,358.61
Interest expenses	29,987,603.49	54,253,158.83
Including: Short-term borrowings	28,181,802.74	53,163,944.45
Other	1,805,800.75	1,089,214.38
Net interest income	-5,349,645.35	-41,593,710.21

6. Net Fee and Commission Income

Item	Amount recognised for the period	Amount recognised in the previous period
Fee and commission income	431,899,111.53	544,273,075.37
Including: Trustee's remuneration	405,583,397.56	544,273,075.37
Other	26,315,713.97	
Fee and commission Expense	2,617,054.18	3,877,936.24
Including: Guarantee fee	2,321,342.43	3,852,017.90
Other	295,711.75	25,918.34
Net fee and commission income	429,282,057.35	540,395,139.13

(All amounts are presented in RMB except otherwise stated)

XVII. NOTES TO MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF PARENT (Continued)

7. Investment Income

Item	Amount recognised for the period	Amount recognised in the previous period
Investment income from holding financial assets	122,965,865.12	13,059,033.28
Investment income from disposal of long term equity investments	12,225,000.00	
Share of net gain or loss of investees using the equity method	136,705,552.00	191,254,365.92
Investment income from disposal of loans and other debt investments	-800,000.00	
Total	158,119,577.57	204,313,399.20

8. Gains from Changes in Fair Value

Source of gains from changes in fair value	Amount recognised for the period	Amount recognised in the previous period
Financial assets held for trading	210,386,184.21	-4,556,429.09
Total	210,386,184.21	-4,556,429.09

XVIII. APPROVAL OF FINANCIAL REPORT

This financial report was approved and authorised for issue on 29 August 2023.

Shandong International Trust Co., Ltd.
29 August 2023

Definitions

In this interim report, unless the context otherwise requires, the following expressions shall have the following meanings:

"Articles of Association"	Articles of Association of the Company (as amended from time to time)
"Audit Committee"	the audit committee under the Board of Directors
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"CASBE"	China Accounting Standards for Business Enterprises
"Board" or "Board of Directors"	the board of Directors of the Company
"Board of Supervisors"	the board of Supervisors of the Company
"CBRC" or "CBIRC"	the China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員) or the former China Banking Regulatory Commission ("CBRC") and/or the former China Insurance Regulatory Commission, replaced by the NAFR since May 2023 (as the context requires)
"China" or "PRC"	the People's Republic of China, but for the purpose of this interim report and for geographical reference only and except where the context requires, references in this interim report to "China" and the "PRC" do not include, Hong Kong, Macau and Taiwan
"CNPC"	China National Petroleum Corporation (中國石油天然氣集團公司)
"CNPC Assets Management"	CNPC Assets Management Co., Ltd. (中油資產管理有限公司)
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"CSRC"	China Securities Regulatory Commission
"Director(s)"	director(s) of the Company
"Domestic Share(s)"	ordinary share(s) issued by the Company with a nominal value of RMB1.00 each, which are subscribed for or credited as paid up in Renminbi

"Group"	the Company and the trust schemes over which it has control
"H Share(s)"	overseas listed foreign share(s) in the ordinary share capital of the Company with a nominal value of RMB1.00 each, which are subscribed for and traded in Hong Kong dollars and listed on the Hong Kong Stock Exchange
"HK$" or "Hong Kong dollars"	the lawful currency of Hong Kong
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"IFRS"	International Financial Reporting Standards
"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)
"MOF"	Ministry of Finance of the PRC (中華人民共和國財政部)
"NAFR"	the National Administration of Financial Regulation (國家金融監督管理總局)
"PBOC"	the People's Bank of China (中國人民銀行), the central bank of the PRC
"Procedural Rules for the Board of Directors"	the procedural rules for the Board of Directors adopted by the Company, as amended from time to time
"Procedural Rules for the Board of Supervisors"	the procedural rules for the Board of Supervisors adopted by the Company, as amended from time to time
"Procedural Rules for the General Meeting"	the procedural rules for the general meeting adopted by the Company, as amended from time to time
"Reporting Period"	the period from 1 January 2023 to 30 June 2023
"RMB" or "Renminbi"	the lawful currency of the PRC
"Ruiyuan No.76 Debt"	the rights to claim the non-performing debts and the rights to enforce the collaterals of the non-performing debts under the trust loan agreements and guarantee agreements in connection with the Ruiyuan No.76 Trust Scheme

"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented from time to time or otherwise revised
Shandong AMC"	Shandong Financial Asset Management Co., Ltd. (山東省金融資產管理股份有限公司)
"Shandong High-Tech"	Shandong High-Tech Venture Capital Co., Ltd. (山東省高新技術創業投資有限公司)
"Shandong Office of CBIRC"	the Shandong Office of CBIRC (中國銀保監會山東監管局)
"Shandong Trust", "SITC", "Company", "we" or "us"	Shandong International Trust Co., Ltd. (山東省國際信託股份有限公司), established in the PRC on 10 March 1987 and converted into a joint stock company with limited liability under the Company Law of the People's Republic of China on 30 July 2015, except where the context otherwise requires, the trust schemes over which it has control
"Shareholder(s)"	holder(s) of our shares
"Substantial Shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Supervisor(s)"	supervisor(s) of the Company

Glossary of Technical Terms

This glossary contains definitions of certain terms used in this annual report in connection with our Company and our business. Some of these may not correspond to standard industry definitions or usage of these terms.

"AUM"	assets under management, which refers to the 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
"gross amount"	gross amount of a financial asset is the amount before deduction of any provision for impairment losses
"HNWI"	high-net-worth individual
"Net Assets Value"	net assets value, which means the value of an entity or trust scheme's assets minus the value of its liabilities
"net capital"	a measure provided by the Net Capital Measures, being our net assets minus (i) risk deduction for each type of our assets, (ii) risk deduction for our contingent liabilities and (iii) other risk deductions determined by the NAFR while the risk deductions are determined by the NAFR
"Net Capital Measures"	the Administrative Measures on Net Capital of Trust Companies 《信託公司淨資本管理辦法》 promulgated by the CBRC in August 2010
"R&D"	research and development
"risk-based capital"	a financial measure provided by the Net Capital Measures which is calculated by applying a risk factor to our proprietary assets or trust assets used in the relevant business
"Trust Industry Protection Fund"	Trust Industry Protection Fund (信託業保障基金), a market-oriented risk mitigation system which was established to protect the legitimate interests of the trustees, effectively prevent the risk of the trust industry and facilitate the sound development of the trust industry

LUCION

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