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

2024

INTERIM REPORT

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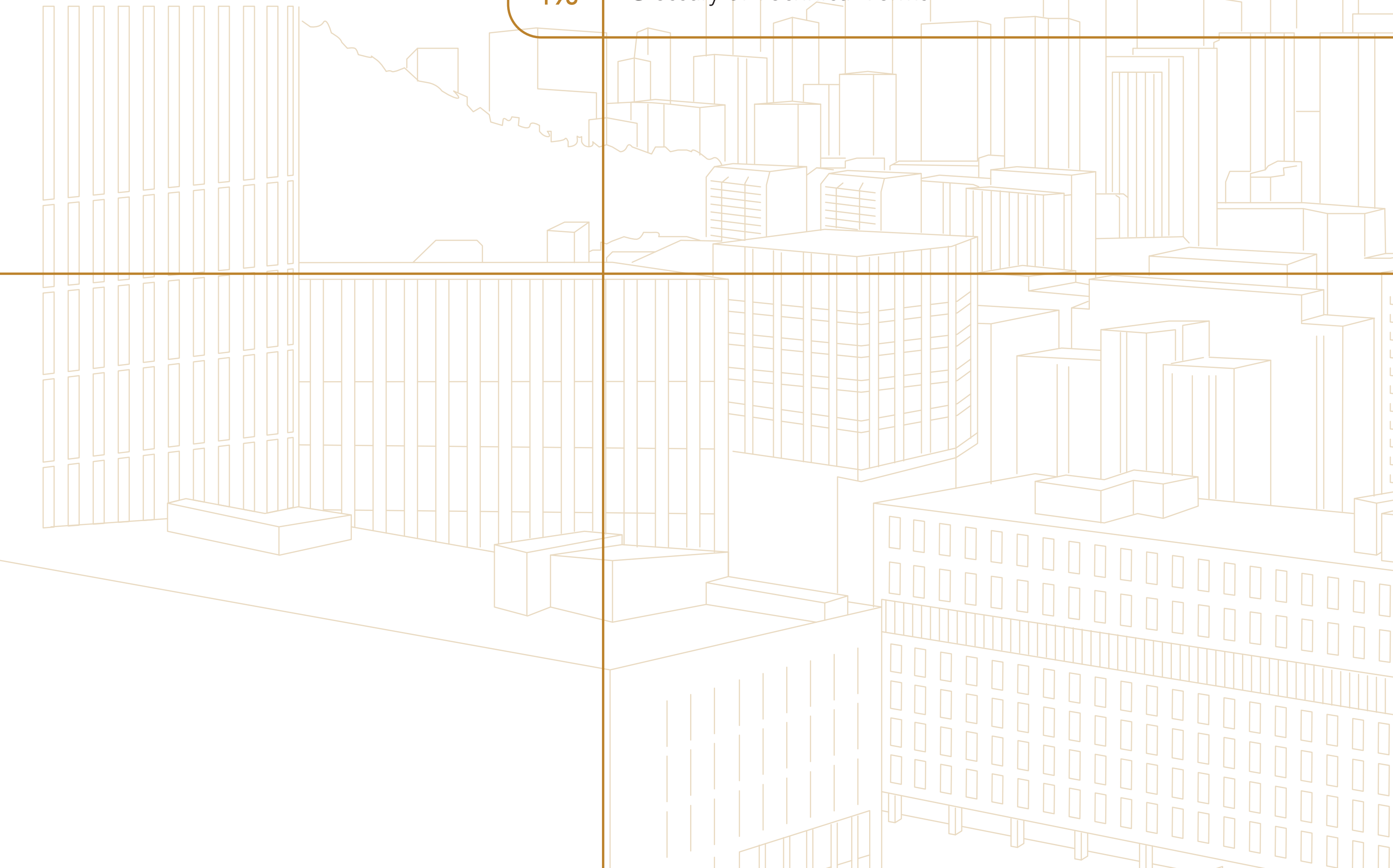


SITC IS COMMITTED TO BECOMING A RESPECTED PROFESSIONAL INSTITUTION OF WEALTH MANAGEMENT BASED ON ASSET ALLOCATION

Basic Corporate Information

CORPORATE CULTURE

VISION

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

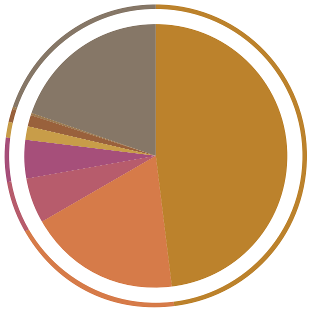
CORE VALUES

Professionalism, Integrity, Diligence and Accomplishment

MISSION

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

SHAREHOLDING STRUCTURE



48.13%	Shandong Lucion Investment Holdings Group Co., Ltd.
18.75%	CNPC Assets Management Co., Ltd.
5.43%	Jinan Finance 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 a whole people-owned enterprise 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

Asset Service Trust

- Family Trust
- Family Service Trust
- Insurance Trust
- Other Individual Wealth Management Trust
- Wealth Management Trust of Legal Person and Unincorporated Organisation
- Asset Management Product Service Trust
- Asset Securitisation Service Trust
- Pre-paid Fund Service Trust

Public Welfare and Charity Trust

Asset Management Trust

- Fixed Income Trust Scheme
- Equity Trust Scheme
- Commodities and Financial Derivatives Trust Scheme
- Hybrid Trust Scheme

WEALTH NETWORK LAYOUT

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

2014

Successfully completed the capital increase and share expansion, with the registered capital increased to RMB2 billion

2015

Completed the joint stock reform, with the Company changed to a joint stock limited liability company

2017

Listed on the Main Board of 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 Hong Kong Stock Exchange

2019

Registered capital increased to RMB4,658,850,000, with capital strength consistently increasing

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 SITC was listed on Hong Kong Stock Exchange (stock code: 1697.HK), being the first domestic trust company listed on international capital market.

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

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

SITC excels at seizing opportunities and courageously 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.

CORPORATE INFORMATION

Legal name in Chinese 山東省國際信託股份有限公司 Abbreviation 山東國信 Legal name in English Shandong International Trust Co., Ltd. Abbreviation SITC	Legal representative Yue Zengguang (岳增光) Authorised representatives Yue Zengguang (岳增光) He Chuangye (賀創業) Secretary to the Board of Directors, company secretary He Chuangye (賀創業)

Registered office, head office in the PRC	Partial area of 1/F, 2/F and 13/F, 32-35/F and 40/F, Tower A No. 2788 Aoti West Road, Lixia District Jinan, Shandong Province PRC
Postal code	250101
E-mail address	ir1697@luxin.cn
Internet website	http://www.sitic.com.cn
Principal place of business in Hong Kong	31/F, Tower Two, Times Square 1 Matheson Street Causeway Bay, Hong Kong PRC
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

SERVICE ORGANISATIONS

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 advisor (as to PRC laws) Place of business	Fangda Partners 24/F, HKRI Centre Two, HKRI Taikoo Hui 288 Shi Men Yi Road Shanghai, PRC
Legal advisor (as to Hong Kong laws) Place of business	Fangda Partners 26/F, One Exchange Square 8 Connaught Place, Central Hong Kong, PRC
International and PRC auditor Place of business	ShineWing Certified Public Accountants (Special General Partnership) *(Public Interest Entity Auditor recognised in accordance with the Accounting and Financial Reporting Council Ordinance)* 9/F, Block A Fu Hua Mansion 8 Chaoyangmen Beidajie, Dongcheng District Beijing, PRC
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 Indicators

FINANCIAL DATA

	As at and for the six months ended 30 June		As at and for the year ended 31 December (Audited)			
	2024	2023	2023	2022	2021	2020
Data at the end of the Reporting Period (*RMB in millions)*						
Total assets	**13,700**	13,704	14,169	14,458	19,063	20,684
Fee and commission income	**273**	421	771	990	830	1,152
Interest income	**25**	75	192	63	541	717
Total operating income	**588**	836	1,190	1,509	1,585	1,931
Gains from changes in net assets attributable to third-party investors in consolidated structured entities	**27**	32	26	35	-151	-17
Total operating costs	**296**	447	781	916	1,082	1,303
Total profit	**253**	276	290	591	503	678
Segment assets						
Proprietary business	**12,916**	12,600	13,350	13,505	17,800	19,358
Trust business	**758**	951	789	821	1,123	1,147
Unallocated assets (1)	**26**	153	30	132	140	179
Segment liabilities						
Proprietary business	**2,163**	2,276	2,718	3,207	8,186	10,320
Trust business	**264**	283	334	278	206	183
Unallocated liabilities (1)	**16**	36	28	39	15	6

Note:

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

Management Discussion and Analysis

ENVIRONMENT REVIEW

Since 2024, global inflation has continued to fall, trade growth has rebounded, and growth indicators of major economies have picked up, showing a generally slow global economy recovery trend. However, there are still many uncertainties in geopolitics, trade protectionism continues to spread, and economic differentiation among countries is significant, so that economic growth is still facing multiple risks and challenges. In the face of a complex and ever-changing international environment, China has comprehensively implemented the new development concept, solidly promoted high-quality development, continued to release the effects of macro-policies, and accelerated the development of new and quality productive forces. In the first half of the year, GDP growth showed a period-on-period increase of 5.0%. The national economy has been generally stable and has continued to recover and improve.

China's financial industry has thoroughly implemented the spirit of the Central Financial Work Conference by accelerating the construction of financial power, precisely and efficiently serving socioeconomic development, pursuing the "five major areas", better serving the development of new and quality productive forces and the construction of a modern industrial system, striving to support the expansion of effective demand, preventing and resolving financial risks, and proactively creating, transfusing, and activating "blood" for the real economy, so as to support the steady development of industry, technology, green and other fields.

As one of China's important financial sub-sectors, the trust industry of China is accelerating its comprehensive and in-depth transformation under the guidance of the new top-level design, striving to promote its high-quality development and actively integrating into the construction of financial power. As at the end of 2023, the balance of trust assets managed by China's trust industry was RMB23.92 trillion, with stable growth in asset size and steady optimisation of the business structure. The transformation of the trust industry is accelerating from the traditional business model with private equity financing as the core towards the model of asset services and asset management.

BUSINESS OVERVIEW

In the first half of 2024, in the face of the increasingly complex and severe external environment, SITC insisted on pursuing progress while ensuring stability, promoting stability through progress, establishing first before breaking down, while conforming to industry trends and regulatory guidance, and steadily advancing various tasks around the annual operating goals. The operating foundation of "stability and health" was continuously consolidated, and the business system of "specialisation and refinement" was accelerated. Overall, SITC maintained a stable development with a steady and positive development trend.

Firstly, the Company firmly returned to its origin of trust and promoted the growth of both business quantity and quality. The Company actively cultivated the competitive advantages and size advantages of its original business, fully integrating its resources and strength to accelerate the improvement of profit contribution. As at the end of June 2024, the size of trust assets under management of the Company amounted to RMB241.237 billion, representing an increase of RMB39.816 billion or 19.77% from the beginning of the year. The Company "increased the layout" of capital market business, continued to deepen cooperation with major channels, accelerated the cultivation of active management capabilities, and increased the scale of active management products. As at the end of June 2024, the existing size of the Company's securities investment trust business exceeded RMB100 billion, representing an increase of RMB42.246 billion or 73.10% from the beginning of the year. A number of products such as "Taishanbao" and "Shandong Construction and Development Fund" continued to outperform similar products in the market, with the Company winning the "Excellent Bond Investment and Trading Institution (Trust Category)" award of the Shenzhen Stock Exchange in 2023, indicating that its product performance and management capabilities were well received by the industry. The dominant position of family trusts has been continuously strengthened. The Company actively developed new tracks in insurance trusts and family service trusts, and the growth rate of size has accelerated significantly. As at the end of June 2024, the existing size of family trusts was RMB47.0 billion, representing a period-on-period increase of 32%, with more than 130 family service trusts established. The Company actively promoted innovative businesses such as foreign tax residents, listed company stocks, and listed company shareholder services. In terms of charitable trusts, the Company continued to expand the participating entities and application scenarios and implemented the first double-trustee charitable trust in Shandong, constantly injecting trust "warmth" into charity business.

Secondly, the Company practiced the philosophy of "Finance for the People", effectively improving the level of financial services. The Company focused on building a new system of wealth management capabilities and comprehensively promoted the transformation of wealth management business towards diversified asset allocation. As at the end of June 2024, the Company managed a total of 41 special wealth management accounts, gradually forming a wealth management model based on customer "trust accounts". Adhering to serving the people, the Company focused on protecting the rights and interests of financial consumers, actively carried out financial investment education campaigns, and pursued investor suitability and anti-fraud publicity. In the first half of the year, the Company carried out 11 offline customer activities. Consumer protection education was also carried out through online channels such as APP, WeChat public accounts, and SMS platforms, with an audience of 33,000 people. Overall, the handling of consumer protection complaints has remained stable, winning the Company the honorary title of "3 • 15 Honest Financial Brand" for many years.

Thirdly, the Company pursued the major area of "green finance", serving major strategies of the region. Strengthening financial support for the transformation and development of regional economy, the Company made full use of the trust toolbox and provided high-quality financial supply for local infrastructure construction and industrial and commercial enterprise development. The Company successfully liquidated the Company's first bankruptcy reorganisation service trust, providing effective relief for the real industry and revitalising stock assets. The Company vigorously developed green trusts, promoted the implementation of major strategies for ecological protection and high-quality development in the Yellow River Basin, gave play to the demonstration and leading role of state-owned capital, and further increased investment in new material, new energy, energy conservation and environmental protection industries. As at the end of June 2024, the existing size of green trust assets was RMB3.556 billion, and the new green trust business in the first half of the year amounted to RMB726 million. The concept of green development and ESG-responsible investment has been continuously consolidated.

Fourthly, the Company adhered to the bottom-line thinking, and improved its comprehensive risk management system. The Company continued to improve the risk prevention and control system and mechanism process, optimised the full process management system of pre-investment due diligence, review and control during investment, and post-investment tracking, monitoring, disposal and resolution, and strengthened project temporary management and risk investigation, improving the efficiency and professional level of risk disposal. The Company fully carried out the "self-evaluation, sorting and updating of company rules and regulations" by formulating, revising and abolishing 65 systems, launching anti-money laundering and anti-terrorist financing work in a solid manner, and strengthening compliance management and cultural construction, so as to lay a solid foundation for sound operation.

Fifthly, the Company optimised its management mechanism to promote steady and long-term development. Adhering to the leadership of party building, the Company earnestly carried out party discipline education and work style construction activities to comprehensively improve work style and efficiency. The Company deepened strategic management, conducted benchmarking analysis and research visits with peers, focused on the primary responsibilities and businesses of the Company, and clarified business development plans to improve the adaptability and effectiveness of strategic planning. The Company also laid a solid foundation for corporate governance by completing the elections of the Board of Directors and the Board of Supervisors, further optimising the organisational structure and personnel structure, and scientifically formulating performance evaluation indicators to concentrate advantageous resources to support high-quality development of the original business. The Company promoted the construction of digital capabilities driven by the integration of "steady state and agile state" to create service-oriented technological capabilities, thus fully supporting the business development.

In the first half of 2024, the Group achieved total operating income with an amount of RMB587.8 million, representing a period-on-period decrease of 29.7%; total profit with an amount of RMB253.3 million; and net profit with an amount of RMB170.5 million, representing a period-on-period decrease of 2.6%, mainly due to (i) a period-on-period decrease in net fee and commission income; (ii) a period-on-period decrease in investment income; (iii) a period-on-period decrease in credit impairment losses; and (iv) a period-on-period decrease in non-operating expenses 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			
	2024		2023	
	Amount	%	Amount	%
	(RMB in thousands, except for %)			
Trust business				
Operating income	**270,866**	**46.0%**	418,718	49.9%
Segment income	**270,866**	**46.0%**	418,718	49.9%
Proprietary business				
Operating income	**316,886**	**53.9%**	417,439	49.7%
Non-operating income	**462**	**0.1%**	2,922	0.4%
Segment income	**317,348**	**54.0%**	420,361	50.1%
Total	**588,214**	**100.0%**	839,079	100.0%

In the first half of 2024, the income from the trust business and proprietary business of the Company accounted for 46.0% and 54.0% of the total revenue of the Company, respectively.

Trust Business

Classification of Trusts

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

The Company's right to manage and use trust assets comes from the trustors' entrustment. While the rights granted to the Company by the trustors vary from one trust to another, the Company has based on the differences of the Company's roles and responsibilities regarding the management and use of trust assets, classified its trusts into administrative management trusts and actively managed trusts. Among them, 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 uses such trust assets to provide financing for or invest in the projects or enterprises designated by the trustors. For these types of trusts, the Company merely provides trust administration-related services.

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

	30 June 2024		31 December 2023	
	Number	**AUM**	Number	AUM
	(AUM: RMB in millions)			
Financing trusts	**242**	**41,627**	238	43,845
Investment trusts	**1,949**	**127,285**	1,652	84,725
Administrative management trusts	**394**	**50,825**	351	56,982
Total	**2,585**	**219,737**	2,241	185,552

Note:

The "AUM" as disclosed in the above table do not include the size of the insurance trusts (in terms of basic insurance amount) managed by the Company as at the corresponding dates, being RMB21,500 million (30 June 2024) and RMB15,869 million (31 December 2023). As at 30 June 2024 and 31 December 2023, the AUM of the Company (including the size of insurance trusts) amounted to RMB241,237 million and RMB201,421 million, respectively.

The following table sets forth the revenue generated from each type of the Company's trusts for 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			
	2024		2023	
	Revenue	**%**	Revenue	%
	(Revenue: RMB in millions)			
Financing trusts	**151**	**55.3**	263	62.5
Investment trusts	**77**	**28.2**	82	19.5
Administrative management trusts	**45**	**16.5**	76	18.0
Total	**273**	**100.0**	421	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:

Asset Service Trusts

Asset service trust refers to the professional trust services such as wealth planning, intergenerational inheritance, custody, bankruptcy isolation and risk disposal which are entrusted by the trustors according to the trust legal relationships and are tailored by the trust company to meet the needs of trustors.

Family Trusts, Family Service Trusts, and Insurance Trusts

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

In 2024, the domestic localisation of family trusts has gone through 11 years, and the industry has ushered in prosperous development. SITC is one of the earliest entrants into the family trust business in China, and family trust is a strategic business that SITC has adhered to and focused on for a long time. In recent years, the Company has continued to promote business model innovation, developed and formed mature business models for innovative services such as family service trust, insurance trust, equity family trust, family charity trust and foreign beneficiary trust, and continuously met the personalised, diversified and customised service needs of customers. The Company works to expand financial industry cooperation, internal and external linkage to improve customer service ability, and construct a service ecosystem. At present, the Company has established strategic cooperation relationship with large state-owned commercial banks and national joint-stock commercial banks, and worked to grow cooperation with leading securities companies and insurance companies. At the same time, the Company attaches great importance to the application of financial technology in the field of family trust business. The Company developed, launched and keeps updating the new family trust comprehensive management platform system and client end, and implemented online management of the full process of family trust customers in various channels such as submission of application, contract generation, audio and video recording during contract signing, asset search and project duration management.

As at 30 June 2024, the Company had established over 4,600 family trusts, family service trusts and insurance trusts, with an existing scale of nearly RMB47 billion, which has always been in the forefront of the industry in recent years. The Company always insists on leading the business with faithful culture and service thinking, taking into account model innovation and industry expansion, and is committed to building the family trust brand of "De Shan Qi Jia", which has been widely recognised by customers, experts, authoritative institutions and partners.

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

Other individual wealth management trusts cover the trust business in which the trust company accepts the trust of a single natural person to provide property protection and management services. The trust beneficiary rights of other individual wealth management trusts shall not be split and transferred, and the initial paid-in trust shall not be less than RMB6.0 million. As at 30 June 2024, the number of other existing individual wealth management trusts managed by the Company was 41, amounting to approximately RMB1.119 billion. The trust contracts generally provide the general investment scope as required by the principals, and the Company has been entrusted with the allocation of trust assets on a discretionary basis.

Wealth management trusts for legal persons and unincorporated organisations cover the type of business in which a trust company is entrusted by a single legal person or unincorporated organisation to provide trust services such as comprehensive financial planning, specific asset management and remuneration and benefit management. As at 30 June 2024, the number of wealth management trusts for legal persons and unincorporated organisations managed by the Company was 107, amounting to approximately RMB21.680 billion.

Asset Management Product Service Trusts

Entrusted by the asset management product managers, trust companies provide administrative management services such as operation custody, account management, transaction execution, share registration, accounting and valuation, fund clearing, risk management, execution supervision and information disclosure, etc. for individual asset management products, and is not involved in asset management activities such as fund-raising for asset management products, investment advice, investment decision-making, selection of investment cooperation institutions, etc. As at 30 June 2024, the asset management product service trust that is entrusted to be under the management of SITC amounted to RMB1.152 billion.

Asset Securitisation Service Trusts

Trust companies, as trustees, set up special purpose vehicles with the underlying assets of asset securitisation to provide entrusted services for the underlying asset for the asset securitisation business carried out in accordance with relevant regulations of financial regulators. It falls into four business types by the type of underlying assets and service targets: credit asset securitisation service trusts, corporate asset securitisation service trust, non-financial corporate asset-backed note service trust, and other asset securitisation service trust. As at 30 June 2024, the number of the Company's existing asset-backed securities projects was five, totalling RMB8.885 billion, involving ABN, CMBS, CMBN, etc. In its business development, the Company has forged good relationships with financial institutions, including large brokerage firms, large commercial banks, and many quality state-owned enterprises, and has accumulated experience in the selection and construction of underlying assets, asset transfer, information disclosure, and management of trust affairs. Embracing the future, the Company will continue to enhance its capabilities in asset pool construction, product structure design and pricing, and work to branch out into underwriting and investment.

Pre-paid Fund Service Trusts

Trust companies provide administrative management 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. The Company designed and launched the "An Xin Fu Series Service Trust". The business has covered three major industries, namely commercial retail, catering and accommodation and residential services. The Company utilises the advantages of property independence and risk isolation of the trust system to actively assist the government in solving the problem of regulating prepaid funds and enhancing residents' confidence in consumption. In the future, the Company will explore and grow its business scenarios in an orderly manner.

Assets Management Trusts

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

SITC conducts asset management trust business mainly in the fields of capital markets, real estate, industrial and commercial enterprises, and infrastructure.

Securities Investment Trusts

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

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

As at 30 June 2024, the Company's investment trust business in existing securities exceeded RMB100 billion. With a series 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.

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. Over recent years, affected by the real estate market, the Company has witnessed a dip in its real estate trust business. Going forward, the Company will follow the national macro policy by complying with the regulatory orientation and reasonably judging the market landscape. This aims to support the construction of long-term rental and affordable housing and refresh our efforts in serving the needs of residents for reasonably rigid and improved housing.

Industrial and Commercial Enterprises Trusts

Industrial and commercial enterprises trust refers to the business that the trust company, as the trustee, accepts the trust property of the trustor in the form of single or collective trust, and applies the trust capitals to industrial and commercial enterprises such as production, service and trade 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, merger and acquisition 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 various methods, such as equity, creditor's rights, stock debt linkage, industrial funds and other ways. The counterparties of the Company's industrial and commercial enterprises trusts were mainly central enterprises, state-owned enterprises and listed companies with strong strengths and high credit ratings. Against the backdrop of the sluggish effective demand, lower-than-expected social expectations, growing risks, and severe and complex big picture, SITC will actively respond to the national call, flexibly use trust instruments, and increase its support to the real economy, especially small and medium-sized and micro enterprises, scientific and technological innovation, green development, "specialised and innovative" enterprises, industries with regional characteristics and advantages, and ecological protection in the Yellow River Basin, so as to help enhance the core competitiveness of the manufacturing industry and regional economic development.

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. The counterparties of the Company's infrastructure trusts 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.

Public Welfare Charitable Trusts

Public welfare charitable trust comes as a trust business in which the trustor entrusts its property to a trust company in accordance with the law for the purpose of public welfare, and the trust company manages and disposes of the property in question and carries out public welfare charitable activities in the name of the trust company as the wishes of the trustor. The trust property of a charitable trust and its income shall not be used for purposes other than public welfare. Public welfare charitable trusts come under the two types of business of charitable trusts and other public welfare trusts in accordance with the purpose of the trust as follows: (1) charitable trusts, where the trustor entrusts its property to the trust company for charitable purposes in accordance with the law, and the trust company manages and disposes of it and carries out the charitable activities in the name of the trustee as the wishes of the trustor; and (2) other public welfare trusts: apart from charitable trusts, other public welfare trusts authorised by the regulator are carried out by trust companies in accordance with the Trust Law of the PRC. The service areas of public welfare charitable trust mainly include poverty alleviation, poverty relief, supporting the elderly, rescuing orphans, rescuing from natural disasters, accidents and public health events. The state has always encouraged and supported the development of public welfare charitable trusts, and has provided many policy supports in venture capital withdrawal, Trust Industry Protection Fund subscription, etc.

As at 30 June 2024, the Company has established 45 standardised charitable trusts with a cumulative delivery scale of about RMB148.45 million, and has used trust funds of about RMB23 million according to the wishes of the clients, with 7,300 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.

As one of the earliest institutions in China to carry out charitable trust business, SITC has always adhered to the philosophy of giving equal importance to business development and model upgrading. Accumulating rich business experience, SITC has cultivated industry-leading professional capabilities, and continuously broadened the participating entities and business connotations of charitable trusts, leading the new trend of industry development. In February 2024, the first charitable trust with a double-trustee model was implemented in the Shandong Province. In April 2024, the first charitable trust with a foreign trustee was implemented in the trust industry. SITC will continue to deepen its roots in the field of charitable trusts, continuously improve its customised services and professional standards, use charitable trusts as a link to drive more forces to participate in public welfare and charity, so as to jointly promote common prosperity, and contribute more positive energy to the harmony and development of society.

Proprietary Business

In the first half of 2024, 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 RMB317.3 million from its proprietary business in the first half of 2024, representing a period-on-period decrease of 24.5%, mainly due to: (1) the increase in the gains from changes in fair value from RMB212.1 million in the first half of 2023 to RMB241.8 million in the first half of 2024; (2) the decrease in investment income from RMB133.8 million in the first half of 2023 to RMB42.1 million in the first half of 2024; and (3) the Company recorded net interest income of RMB34.9 million in the first half of 2023 and net interest expense of RMB4.7 million in the first half of 2024.

Allocation of Proprietary Assets

Pursuant to the Administrative Measures on Trust Companies《信託公司管理辦法》issued by the former CBIRC (replaced by the NFRA since May 2023) 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 proprietary business, the Company allocates its proprietary assets into different asset classes and invests in businesses with strategic value for the Company's trust business in order to maintain and increase the value of its proprietary assets. The Company manages and invests its proprietary assets according to its annual assets allocation plans, which are formulated by the management of the Company and approved by the Board of Directors. The Company makes strategic long-term investments in a number of financial institutions, which helps to establish stronger business relationships with these financial institutions and create synergies for its operations. The Company also invests its proprietary assets in various types of equity products, such as listed 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 2024	31 December 2023 (Audited)
	(RMB in thousands)	
Investments in Monetary Assets	**788,662**	628,173
Cash at banks	**123,241**	168,505
Other monetary assets	**418,389**	64,619
Government bonds purchased under agreements to resell	**247,032**	395,049
Securities Investments	**9,187,712**	10,019,091
Investment in equity products	**1,956,787**	2,264,800
Listed stock investment classified as:		
—Financial assets held for trading	**1,588,088**	1,481,481
Subtotal	**1,588,088**	1,481,481
Public fund investments classified as:		
—Financial assets held for trading	**368,699**	783,319
Subtotal	**368,699**	783,319
Investment in wealth management products		
Investments in consolidated trust schemes	**2,442,393**	2,633,387
Investment in unconsolidated trust schemes classified as financial assets held for trading	**298,046**	518,630
Investment in unconsolidated trust schemes classified as debt investments	**169,963**	189,079
Other financial investment classified as debt investments	**3,652,392**	3,464,378
Bond investments	**14,085**	11,600
Asset management products	**649,046**	937,217
Bank wealth management	**5,000**	–
Long-Term Equity Investments	**1,269,530**	1,153,095
Investment accounted for using the equity method	**390,493**	521,591
Investment classified as financial assets held for trading	**879,037**	631,504
Proprietary Loans Trust	**173,368**	115,627
Trust Industry Protection Fund	**113,962**	111,448
Total	**11,533,234**	12,027,434

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 2024	31 December 2023 (Audited)
	(RMB in thousands)	
Investment in monetary assets		
—Cash at banks	**123,241**	168,505
—Other monetary assets	**418,389**	64,619
—Government bonds purchased under agreements to resell	**247,032**	395,049
Total	**788,662**	628,173

	For the six months ended 30 June 2024	2023
	(RMB in thousand)	
Interest income generated from:		
—Cash at banks	**638**	1,131
—Government bonds purchased under agreements to resell	**2,141**	9,947
Total	**2,779**	11,078

Average investment return of the Company's monetary assets (calculated as the total of investment income (in terms of interest income received), annualised as a percentage of average investment balance in such monetary assets, where appropriate) were 1.4% and 0.8% for the six months ended 30 June 2023 and for the six months ended 30 June 2024.

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 2024	For the year ended 31 December 2023 (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
—Bank wealth management	**Medium**	N/A
Average investment balance[(1)]		
—Equity products	**2,110.8**	1,890.2
—Trust schemes	**3,125.7**	2,788.7
—Debt investments	**3,558.4**	3,554.8
—Bond investments	**12.8**	166.2
—Asset management product	**793.1**	812.4
—Bank wealth management	**2.5**	–

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 11.7% from RMB1,890.2 million in 2023 to RMB2,110.8 million in the first half of 2024; the average balance of investments in trust schemes increased by 12.1% from RMB2,788.7 million in 2023 to RMB3,125.7 million in the first half of 2024; the average balance of the debt investments increased by 0.1% from RMB3,554.8 million in 2023 to RMB3,558.4 million in the first half of 2024; the average balance of bond investments decrease by 92.3% from RMB166.2 million in 2023 to RMB12.8 million in the first half of 2024; the average balance of investments in asset management products decreased by 2.4% from RMB812.4 million in 2023 to RMB793.1 million in the first half of 2024; and the average balance of investments in bank wealth management products in the first half of 2024 amounted to RMB2.5 million.

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 2024, 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 2024	Board seat	First investment date	Accounting treatment
Sinotruk Auto Finance Co., Ltd.	Automobile finance	6.52%	Yes	September 2015	Investments accounted for using the equity method
Taishan Property & Casualty Insurance Co., Ltd.	Insurance products and services	7.40%	Yes	December 2010	Investments accounted for using the equity method
Dezhou Bank Co., Ltd.	Commercial banking services	2.37%	No	December 2010	Financial assets held for trading
Minsheng Securities Co., Ltd.	Securities brokerage, securities asset management and proprietary investment	1.17%	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 2024	31 December 2023 (Audited)
	(RMB in thousand)	
Long-term equity investments, accounted for:		
—As associate using the equity method	**390,493**	521,591
—Investment categorised as financial assets held for trading	**879,037**	631,504
Total	**1,269,530**	1,153,095

	For the six months ended 30 June 2024	2023
	(RMB in thousand)	
Dividend income generated from:		
—As associate using the equity method	**–**	781
—Investment categorised as financial assets held for trading	**1,991**	–
Total	**1,991**	781

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 0.1% and 0.3% for the six months ended 30 June 2023 and for the six months ended 30 June 2024, respectively.

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 2023 and 30 June 2024, the outstanding balance of the Company's proprietary loans were RMB115.6 million and RMB173.4 million, respectively.

Trust Industry Protection Fund

According to the Administrative Measures on Trust Industry Protection Fund (《信託業保障基金管理辦法》) issued by the former CBIRC in December 2014, trust companies are required to subscribe for a certain amount of the protection fund when conducting business. The Company's interests in the Trust Industry Protection Fund increased by 2.3% from RMB111.4 million as at 31 December 2023 to RMB114.0 million as at 30 June 2024.

FINANCIAL OVERVIEW

Analysis of Unaudited Interim Condensed Consolidated Income Statement

In the first half of 2024, the Company achieved a net profit of RMB170.5 million, representing a decrease of RMB4.6 million, or 2.6%, as compared to the corresponding period of last year.

Results of Operations

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

Item		For the six months ended 30 June 2024	2023
		(RMB in thousand)	
I.	**Total operating income**	**587,752**	836,157
	Net Interest Income	**-4,550**	35,014
	Including: Interest income	**24,969**	75,332
	Interest expense	**29,519**	40,318
	Net fee and commission income	**270,763**	418,612
	Including: Fee and commission income	**272,635**	421,229
	Fee and commission expenses	**1,872**	2,617
	Investment income	**42,144**	133,775
	Including: Income from investment in associates and joint ventures	**2,115**	10,153
	Gains from changes in fair value	**241,813**	212,071
	Gains from changes in net assets attributable to third-party investors in consolidated structured entities	**27,319**	31,763
	Other operating income	**10,389**	4,899
	Gains on disposal of assets	**-126**	23
II.	**Total operating costs**	**295,780**	447,435
	Tax and surcharges	**2,953**	5,193
	Business and administrative expenses	**132,812**	163,971
	Credit impairment losses	**154,963**	278,020
	Impairment losses on other assets	**2,065**	–
	Other operating costs	**2,987**	251
III.	**Operating profit**	**291,972**	388,722
	Add: Non-operating income	**462**	2,922
	Less: Non-operating expenses	**39,107**	115,722
IV.	**Total profit**	**253,327**	275,922
	Less: Income tax expenses	**82,819**	100,845
V.	**Net profit**	**170,508**	175,077

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	
	2024	2023
	(RMB in thousand)	
Interest income	**24,969**	75,332
Including: Balance of cash and bank deposits	**741**	1,133
Loans and advances to customers	**16,332**	54,083
Debt investments	**5,687**	9,976
Financial assets purchased under resale agreements	**2,141**	10,036
Others	**68**	104
Interest expense	**29,519**	40,318
Including: Short-term borrowings	**22,155**	28,182
Income attributable to third-party trust beneficiaries of consolidated structured entities	**6,298**	10,410
Others	**1,066**	1,726
Net interest income	**-4,550**	35,014

The Group's net interest expense in the first half of 2024 amounted to RMB4.6 million, as compared to a net interest income of RMB35.0 million in the corresponding period of last year, mainly due to the interest income changed from RMB75.3 million for the first half of 2023 to RMB25.0 million for the first half of 2024, of which the interest income of the loans granted by the Group decreased from RMB54.1 million in the first half of 2023 to RMB16.3 million in the first half of 2024, and the interest expense in the first half of 2024 amounted to RMB29.5 million, representing a decrease of RMB10.8 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 2024	2023
	(RMB in thousand)	
Fee and commission income	**272,635**	421,229
Including: Trustee's remuneration	**246,518**	394,913
Others	**26,117**	26,316
Fee and commission expenses	**1,872**	2,617
Including: Guarantee fee	**1,831**	2,321
Others	**41**	296
Net fee and commission income	**270,763**	418,612

The Group's net fee and commission income in the first half of 2024 was RMB270.8 million, representing a decrease of 35.3% as compared to RMB418.6 million in the first half of 2023, which was mainly due to a decrease of 35.3% in fee and commission income from RMB421.2 million in the first half of 2023 to RMB272.6 million in the first half of 2024.

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 2024	2023
	(RMB in thousand)	
Income from long-term equity investments accounted for using equity method	**2,115**	10,153
Investment income from holding financial assets	**33,163**	124,422
Investment income from disposal of long-term equity investments	**6,819**	–
Investment income from disposal of loans and other debt investments	**47**	-800
Total	**42,144**	133,775

The Group's investment income in the first half of 2024 was RMB42.1 million, representing a decrease of RMB91.7 million as compared to RMB133.8 million in the first half of 2023, which was due to the period-on-period decrease of RMB91.2 million in investment income from holding financial assets of the Group in the first half of 2024.

Gains from Changes in Fair Value

	For the six months ended 30 June	
	2024	2023
	(RMB in thousand)	
Source of gains from changes in fair value		
Financial assets held for trading	**243,236**	212,071
Enterprises invested by the consolidated structured entities	**-1,423**	–
Total	**241,813**	212,071

The Group's gains from changes in fair value increased from RMB212.1 million in the first half of 2023 to RMB241.8 million in the first half of 2024, mainly due to the increase in gains from changes in fair value of the Group's financial assets held for trading such as equity investment in the first half of 2024.

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	
	2024	2023
	(RMB in thousand)	
Employee benefits	**72,269**	93,045
Depreciation and amortisation	**29,929**	31,832
Legal and professional fees	**3,137**	4,513
Network expenses	**7,440**	3,385
Promotional expenses	**4,100**	6,401
Lease charges	**3,801**	4,526
Business hospitality expenses	**1,482**	2,567
Travel expenses	**1,556**	2,278
Office expenses	**236**	589
Others	**8,862**	14,385
Total	**132,812**	163,971

The Group's business and administrative expenses in the first half of 2024 were RMB132.8 million, representing a decrease of 19.0% as compared with RMB164.0 million in the first half of 2023, which was mainly due to the decrease in the Group's employee benefits and other administrative expenses.

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 **2024**	 2023
	(RMB in thousand)	
Losses on bad debts of accounts receivable	**2,932**	8,297
Losses on bad debts of other receivables	**5,329**	16,575
Impairment losses on loans and advances to customers	**51,097**	61,134
Impairment loss on debt investments	**95,605**	192,014
Total	**154,963**	278,020

The Group's credit impairment losses decreased by 44.3% from RMB278.0 million in the first half of 2023 to RMB155.0 million in the first half of 2024, mainly due to a period-on-period decrease in provisions made in the first half of 2024 as a result of the actual credit risk profile and previous provisions made.

Non-operating Expenses

Item	For the six months ended 30 June **2024**	 2023
	(RMB in thousand)	
Compensation expenses	**39,090**	114,431
Penalty expenses	**–**	400
Losses on retirement of non-current assets	**16**	891
Others	**1**	–
Total	**39,107**	115,722

The Group's non-operating expenses decreased from RMB115.7 million in the first half of 2023 to RMB39.1 million in the first half of 2024, mainly due to the significant decrease in expected compensation expenses for litigation.

Total Profit and Operating Margin

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

	For the six months ended 30 June	
	2024	2023
	(RMB in thousand)	
Total profit	**253,327**	275,922
Operating margin(1)	**43.1%**	33.0%

Note:

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

As a result of the foregoing, the Group's total profit decreased from RMB275.9 million in the first half of 2023 to RMB253.3 million in the first half of 2024, and operating margin increased from 33.0% in the first half of 2023 to 43.1% in the first half of 2024.

Income Tax Expenses

Item	For the six months ended 30 June	
	2024	2023
	(RMB in thousand)	
Income tax expenses for the year	**67,234**	147,164
Deferred income tax expenses	**15,585**	-46,319
Total	**82,819**	100,845

The Company recorded an income tax expense of RMB100.8 million in the first half of 2023 and an income tax expense of RMB82.8 million in the first half of 2024, mainly due to a period-on-period decrease in the Group's total profit for the year in the first half of 2024.

Net Profit and Net Profit Margin

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

	For the six months ended 30 June	
	2024	2023
	(RMB in thousand)	
Net profit	**170,508**	175,077
Net profit margin(1)	**29.0%**	20.9%

Note:

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

As a result of the foregoing reasons, the net profit decreased from a gain of RMB175.1 million in the first half of 2023 to RMB170.5 million in the first half of 2024, and net profit margin increased from 20.9% in the first half of 2023 to 29.0% in the first half of 2024.

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	
	2024	2023
	(RMB in thousand)	
Trust business:		
Operating income	**270,866**	418,718
Segment income	**270,866**	418,718
Proprietary business:		
Operating income	**316,886**	417,439
Non-operating income	**462**	2,922
Segment income	**317,348**	420,361

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

	For the six months ended 30 June	
	2024	2023
	(RMB in thousand)	
Trust business:		
Operating expenses	**129,690**	165,683
Non-operating expenses	**39,076**	115,641
Segment expenses	**168,766**	281,324
Proprietary business:		
Operating expenses	**166,090**	281,752
Non-operating expenses	**31**	81
Segment expenses	**166,121**	281,833

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	
	2024	2023
	(RMB in thousand)	
Trust business	**102,100**	137,394
Proprietary business	**151,227**	138,528
Total profit	**253,327**	275,922

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	
	2024	2023
	(RMB in thousand)	
Trust business	**37.7%**	32.8%
Proprietary business	**47.7%**	32.9%

Trust Business

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

The total profit of the Group's trust business decreased by 25.7% from RMB137.4 million in the first half of 2023 to RMB102.1 million in the first half of 2024, primarily due to a decrease of 35.3% in the segment income from the trust business from RMB418.7 million in the first half of 2023 to RMB270.9 million in the first half of 2024, which was offset by a decrease of 40.0% in segment operating expenses from the trust business from RMB281.3 million in the first half of 2023 to RMB168.8 million in the first half of 2024.

(1) The decrease in the segment income from the trust business was mainly due to a decrease in the Group's net fee and commission income from RMB418.6 million in the first half of 2023 to RMB270.8 million in the first half of 2024.

(2) The decrease in the segment operating expenses from the trust business was mainly due to (1) a decrease in administrative expenses related to trust business of the Group from RMB161.0 million in the first half of 2023 to RMB124.5 million in the first half of 2024; and (2) a decrease in non-operating expenses related to trust business from RMB115.6 million in the first half of 2023 to RMB39.1 million in the first half of 2024.

As a result of the foregoing, the segment profit margin of the trust business increased from 32.8% in the first half of 2023 to 37.7% in the first half of 2024.

Proprietary Business

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

The total profit of the Group's proprietary business increased by 9.2% from RMB138.5 million in the first half of 2023 to RMB151.2 million in the first half of 2024, primarily due to a decrease of 41.1% in the segment operating expenses from the proprietary business from RMB281.8 million in the first half of 2023 to RMB166.1 million in the first half of 2024, which was partially offset by a decrease of 24.5% in the segment income from the proprietary business from RMB420.4 million in the first half of 2023 to RMB317.3 million in the first half of 2024.

(1) 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 RMB278.0 million in the first half of 2023 to RMB155.0 million in the first half of 2024.

(2) The decrease in segment income from the proprietary business was mainly due to (i) the increase in the gains from changes in fair value from RMB212.1 million in the first half of 2023 to RMB241.8 million in the first half of 2024; (ii) the decrease in investment income from RMB133.8 million in the first half of 2023 to RMB42.1 million in the first half of 2024; and (iii) recorded net interest income of RMB34.9 million in the first half of 2023 and net interest expense of RMB4.7 million in the first half of 2024.

As a result of the above, the segment profit margin of the proprietary business increased from 32.9% in the first half of 2023 to 47.7% in the first half of 2024.

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 2023 and 30 June 2024, the total assets of the Group (including the Company and the trust schemes over which the Company has control) amounted to RMB14,168.9 million and RMB13,699.8 million, respectively, of which the total assets of the Company amounted to RMB13,249.8 million and RMB12,848.8 million, respectively. The Group's major assets consist of (i) loans and advances to customers, (ii) debt investments, (iii) long-term equity investments, (iv) financial assets held for trading, (v) monetary assets, (vi) accounts receivable, and (vii) financial assets purchased under resale agreements. As at 30 June 2024, the above-mentioned major assets accounted for 14.8%, 34.1%, 5.2%, 28.8%, 4.2%, 1.3% and 1.8% of the total assets of the Group, respectively.

Loans and Advances to Customers

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

Item	30 June 2024	31 December 2023 (Audited)
	(RMB in thousand)	
Principal amount of loans and advances to customers	**2,308,495**	2,428,707
Including: Issued by the Company	**168,696**	115,000
Issued by consolidated structured entities	**2,139,799**	2,313,707
Interest receivable	**98,852**	125,371
Less: ECL allowance – principal amount	**353,779**	339,299
ECL allowance – interest receivable	**29,337**	13,254
Loans and advances to customers, net	**2,024,231**	2,201,525

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 158.6% from RMB748.0 million as at 31 December 2023 to RMB1,934.2 million as at 30 June 2024. 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 2023 and 30 June 2024 were RMB897.3 million and RMB2,523.9 million, respectively. The Group determined the provision for impairment losses on those loans through ECL assessments and made allowance for impairment of RMB180.9 million and RMB335.9 million for these impaired loans as at 31 December 2023 and 30 June 2024, respectively, representing 24.2% and 17.4% 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 30.8% and 83.8% of the Group's gross loans and advances to customers as at 31 December 2023 and 30 June 2024, 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 2024, the principal balance of Company's proprietary loans was RMB168.7 million, representing an increase of RMB53.7 million, or 46.7%, as compared 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 2024	31 December 2023 (Audited)
	(RMB in thousand)	
Principal amount of loans and advances to customers	168,696	115,000
Interest receivable	11,283	7,526
Less: ECL allowance – principal	6,277	6,475
ECL allowance – interest receivable	334	424
Loans and advances to customers, net	173,368	115,627

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 dates indicated:

	30 June 2024	31 December 2023 (Audited)
	(RMB in thousand)	
Principal	7,097,188	6,813,115
Interest receivable	16,547	17,822
Total	7,113,735	6,830,937
Less: ECL allowance – principal	2,437,564	2,321,985
ECL allowance – interest receivable	2,255	1,695
Net amount	4,673,916	4,507,257

Long-Term Equity Investments

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

	Equity interest as at 30 June 2024	As at 30 June 2024	As at 31 December 2023 (Audited)
		(RMB in thousand)	
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%	161,089	162,278
Sinotruk Automobile Finance Co., Ltd. (重汽汽車金融有限公司)	6.52%	225,803	225,155
Dezhou Bank Co., Ltd. (德州銀行股份有限公司)	–	–	130,250
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%	3,601	3,908
Subtotal		390,493	521,591
Enterprises invested by the consolidated structured entities		321,055	322,478
Total		711,548	844,069

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:

	As at 30 June 2024	As at 31 December 2023 (Audited)
	(RMB in thousand)	
Financial assets at FVTPL	**3,946,705**	4,506,455
Including: Stock investments	**1,588,088**	1,481,481
Public fund investments	**368,699**	783,319
Investment in asset management scheme	**649,046**	937,217
Bond investments	**14,085**	11,628
Equity investments in unlisted companies	**909,404**	661,872
Trust Industry Protection Fund	**114,337**	112,308
Investments in trust schemes	**298,046**	518,630
Bank wealth management	**5,000**	–
Total	**3,946,705**	4,506,455

Significant Investments

The Company holds shares of China Zheshang Bank Co., Ltd. ("**CZ Bank**"). CZ Bank is principally engaged in corporate and retail banking services, treasury business and other commercial banking business. The A shares and H shares of CZ Bank are listed on the Shanghai Stock Exchange and the Hong Kong Stock Exchange (A share stock code: 601916, H share stock code: 2016), respectively. As at 31 December 2023 and 30 June 2024, the Company held 579,592,903 A shares of CZ Bank, representing 2.11% of its total share capital. The investment cost was RMB1.179 billion, and the fair value was RMB1.425 billion and RMB1.562 billion, representing 10.1% and 11.4% of the total assets of the Company as at 31 December 2023 and 30 June 2024, respectively. In 2023, the Company recognised RMB252.7 million as operating income from its investment in CZ Bank, among which RMB245.7 million was recognised as gains from changes in fair value and RMB7.0 million was recognised as investment income (including disposal gain of RMB4.7 million and dividend income of RMB2.3 million), respectively. In the first half of 2024, the Company recognised RMB232.7 million as operating income from its investment in CZ Bank, among which RMB137.7 million was recognised as gains from changes in fair value and RMB95.0 million was recognised as investment income (being dividend income), respectively. 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 decreased by 12.4% from RMB4,506.5 million as at 31 December 2023 to RMB3,946.7 million as at 30 June 2024, primarily due to the Group's (i) decrease of the public fund investments; (ii) decrease of the investments in asset management schemes; (iii) increase of the equity investments in unlisted companies; (iv) decrease of the investments in trust schemes; and (v) increase in stock investments.

Monetary Assets

As at 31 December 2023 and 30 June 2024, the balance of the Group's monetary assets amounted to RMB283.9 million and RMB581.2 million, respectively, of which RMB233.1 million and RMB541.6 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 1.8% from RMB172.5 million as at 31 December 2023 to RMB175.6 million as at 30 June 2024. The Company, as the trustee, has closely monitored the trust accounts of its unconsolidated trust schemes, and the Company is usually allowed to collect its trustee's remuneration in arrears in one or more instalments according to the trust contracts. The Company is normally allowed only to receive trustee's remuneration after the trust has paid its quarterly dividends, and the Company expects to continue to have certain amount of trustee's remuneration receivable in the future. As at 31 July 2024, 19.5% of the trustee's remuneration receivable was recovered.

Financial Assets Purchased under Resale Agreements

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

The Group's government bond purchased under agreements to resell decreased from RMB395.0 million as at 31 December 2023 to RMB247.0 million as at 30 June 2024. These changes were due to the flexible adjustment of the business scale of the Company's government bond purchased under agreements to resell based on the overall market condition and interest rates, and such adjustment resulted in a change in the amounts of the Company's government bond purchased under agreements to resell as at 31 December 2023 and 30 June 2024, respectively.

Liabilities

As at 31 December 2023 and 30 June 2024, the Group's total liabilities amounted to RMB3,079.5 million and RMB2,442.7 million, respectively. As a trust company in the PRC, the Company is not allowed to incur any debt in operating its business other than through inter-bank borrowings or otherwise allowed by the NFRA. The Group's major liabilities during the Reporting Period included short-term borrowings, employee benefits payable, provisions and other liabilities. As at 30 June 2024, the above liabilities accounted for 22.6%, 4.1%, 5.3%, and 64.2% of the Group's total liabilities, respectively.

Short-term Borrowings

As at 30 June 2024, the Group's short-term borrowings amounted to RMB550.9 million were interest-bearing loans from Trust Protection Fund Company which will fall due in June (as the due date of 30 June was a non-business day, the repayment date was postponed to the next business day in accordance with the agreement), September 2024 and April, June 2025, respectively.

Provisions

As at 30 June 2024, the Group's provisions amounted to RMB129.7 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 on behalf of the financiers of the financing trust schemes, 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 Company's net assets attributable to third-party trust beneficiaries of consolidated structured entities decreased by 7.4% from RMB806.9 million as at 31 December 2023 to RMB747.5 million as at 30 June 2024. Changes in such amount mainly reflected changes in the net assets of the Group's consolidated trust schemes as well as the changes in percentage of the Company's proprietary investment in such trust schemes.

The Company's Trust Industry Protection Fund collected on behalf of the financiers of the financing trust schemes decreased from RMB333.9 million as at 31 December 2023 to RMB263.5 million as at 30 June 2024.

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 decreased from RMB246.5 million as at 31 December 2023 to RMB238.7 million as at 30 June 2024.

Off-balance Sheet Arrangements

As at 30 June 2024, 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 affected by the AUM, asset quality and financial performance of the consolidated trust schemes. While, under PRC laws and regulations, the assets of trust schemes under the Company's management are distinct and separate from the proprietary assets and the Company is not responsible to its trustor clients or the beneficiaries for any loss of trust assets under its management, except for losses not caused by the Company's failure to properly fulfil its duty as a trustee, the Company has consolidated some of the trust schemes under its management pursuant to CASBE. Those trust schemes are deconsolidated when the Company ceases to have control over them. During the Reporting Period, deconsolidation of the Company's consolidated trust schemes generally occurred when such trust schemes were disposed of or were liquidated upon the expiry of their terms.

As at 31 December 2023 and 30 June 2024, the Company had consolidated 22 and 21 of the trust schemes under its management, respectively, and the total trust assets of these consolidated trust schemes were RMB3,724.3 million and RMB3,462.9 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 2024	As at 31 December 2023
Beginning:	**22**	19
Newly consolidated trust schemes	**2**	7
Deconsolidated trust schemes	**3**	4
Ending:	**21**	22

The consolidation of these trust schemes increased the Company's total assets during the Reporting Period due to the inclusion of assets of these trust schemes (consisting of loans to customers, financial assets 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 2024	As at 31 December 2023 (Audited)
	(RMB in million)	
Total assets of the Company	**12,849**	13,250
Total assets of consolidated trust schemes	**3,463**	3,724
Consolidation adjustment	**-2,612**	-2,805
Total assets of the Group	**13,700**	14,169

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 2024	As at 31 December 2023 (Audited)
	(RMB in million)	
Total liabilities of the Company	**1,594**	2,156
Total liabilities of consolidated trust schemes	**273**	302
Consolidation adjustment	**576**	622
Total liabilities of the Group	**2,443**	3,080

As a result of the foregoing, the impact on the Group's net assets or equity from consolidation of these trust schemes was thus 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 2024	As at 31 December 2023 (Audited)
	(RMB in million)	
Total equity of the Company	**11,255**	11,094
Consolidation adjustment	**2**	-5
Total equity of the Group	**11,257**	11,089

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	
	2024	2023
	(RMB in million)	
Net profit of the Company before consolidation of trust schemes	**164**	175
Impact of consolidation of trust schemes	**7**	0
Net profit of the Group after consolidation of trust schemes	**171**	175

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

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

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

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

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 did not make any proprietary investments in the Company's administrative management trusts during the Reporting Period, the Company was not required to consolidate any administrative management trusts during the Reporting Period.

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

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

RISK MANAGEMENT

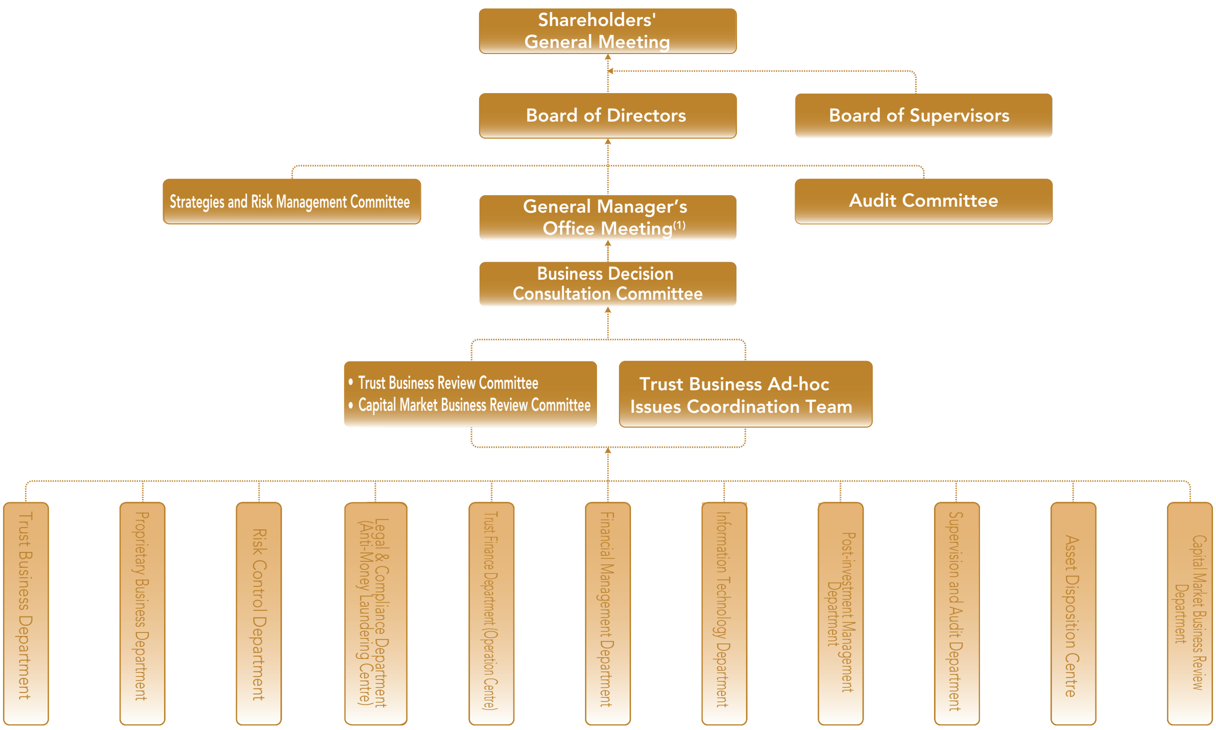
Overview

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

Risk Management Organisational Structure

The comprehensive risk management organisational structure of the Company is integrated in every level of the Company's corporate governance, including (1) the Shareholders' general meeting; (2) the Board of Directors and its 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 and Capital Market Business Review Committee; (7) the Trust Business Ad-hoc Issue Coordination Team; and (8) other functional departments, including the Risk Control Department, Legal & Compliance Department (Anti-Money Laundering Centre), Capital Market Business Review Department, Trust Finance Department (Operation Centre), Financial Management Department, Information Technology Department, Post-investment Management Department, Supervision and Audit Department, Asset Disposition Centre and Proprietary Business Department. Finally, all trust business departments of the Company are required to assume primary risk management responsibilities.

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



Note:

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

Factors Affecting the Company's Operations

The following factors are the principal adverse and favourable factors that have affected and are expected to 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. 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. 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 former CBIRC, the CSRC and the State Administration of Foreign Exchange jointly issued the Guiding Opinions on Regulating Asset Management Business of Financial Institution (Yin Fa [2018] No. 106) (《關於規範金融機構資產管理業務的指導意見》(銀發[2018]106號)) to unify the regulatory standards of asset management business by product types, requiring, among other things, financial institutions including trust companies to carry out "de-channelling" and "reduce nested systems" in conducting the asset management business. In 2020, the former CBIRC made clear requirements for the pressure drop of trust companies' channel business and financing business, insisting on the goal of "de-channelling", continuing to standardise business development and guiding trust companies to accelerate business model transformation. In March 2023, the former CBIRC issued the Notice on Standardising the Classification of Trust Business of Trust Companies, which further clarifies the boundaries and service content of trust business, guides trust companies to give full play to institutional advantages and industry competitive advantages, promotes trust companies to return to their origin, standardise development, and promotes the high-quality development of the trust industry. Such policies may impose certain tightening effects on the operation of trust companies in the short term, while in the long term, they are conducive to trust companies in enhancing the active management capability and returning to the fundamentals of trust industry. However, the regulatory authorities may also restrict the development of certain businesses of trust companies from time to time, which may have an adverse effect on the Company's business.

In addition, the regulatory environment of other financial industries in China may also indirectly impact the Company's trust business. For example, in September 2018, the former CBIRC promulgated the Administrative Measures for Supervision of Wealth Management Business of Commercial Banks (《商業銀行理財業務監督管理辦法》) and the Administrative Measures for Wealth Management Subsidiaries of Commercial Banks (《商業銀行理財子公司管理辦法》) in December 2018, which clearly stipulated the wealth management business of commercial banks, allowing commercial banks to develop asset management services through the establishment of financial management subsidiaries. The Company has traditionally benefited from the expanded business scope under the Company's trust license. However, other financial institutions, such as commercial banks and 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 R&D 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 NFRA, under the leadership of the Strategies and Risk Management Committee of the Board of Directors and the senior management, the Company focused on facilitating the realisation of strategic goals by improving credit risk management system and system establishment and reinforcing risk management over key areas so as to control and mitigate credit risks in full swing.

Credit Risk Management on Trust Business

The credit risk of the Company's trust business mainly refers to the risk that the Company, as the trustee, fails to receive the Company's due remuneration which is agreed in the trust contracts. The majority of the Company's trusts are financing trusts, under which the failure of fulfilling the repayment obligations by the counterparty clients of the Company, or the ultimate financiers, will negatively affect the Company's ability to receive its remuneration. The Company assesses and manages such default risk through comprehensive due diligence, stringent internal approval and trust establishment procedures as well as ex-post inspections and monitoring. During the Reporting Period, the Company used the intelligent risk control system independently designed and developed by itself to realise 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 of Directors. The Company maintains a diversified investment portfolio for the Company's proprietary business and has established detailed internal risk management policies and procedures for each type of investment.

Market Risk Management

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

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

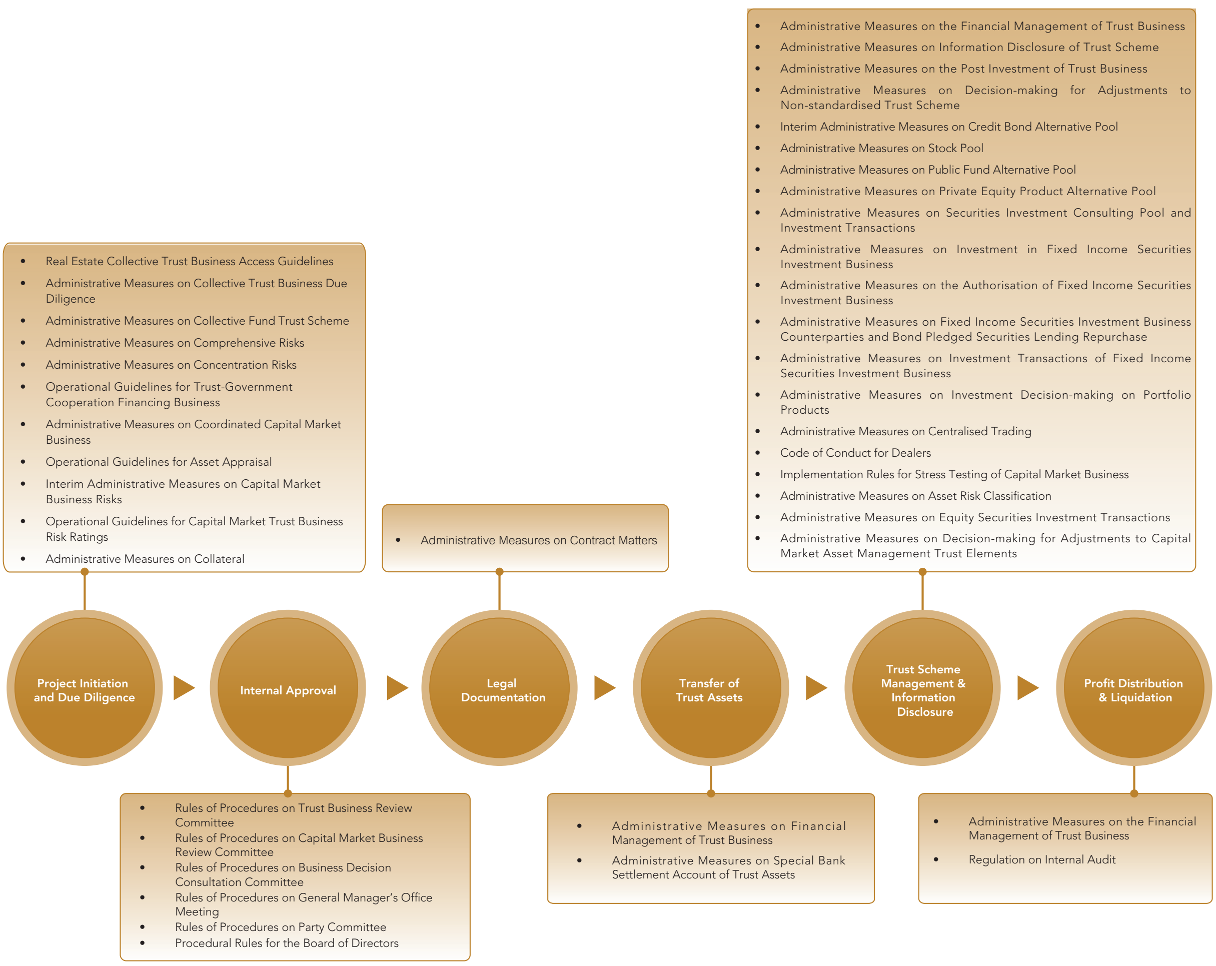
The Company values its positive market image which has been built over the years. It actively implements effective measures to avoid and prevent from any harm to its reputation. The Company formulated the Administrative Measures on Reputational Risk Management. During the Reporting Period, the Company 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 strengthened the education of legal awareness and carried out extensive educational activities for all of its employees to strengthen their sense of occupational integrity. The Company also designated specific legal positions and engaged legal advisers on annual basis to control the legal risks effectively.

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) and Administrative Measures on Proprietary Guarantee Business (固有資金擔保業務管理辦法), Administrative Measures on Proprietary Financial Products Investment Business (固有資金金融產品投資業務管理辦法).

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 people in charge of other relevant departments as members of the group. There is an anti-money laundering work office under the Anti-Money Laundering Working Group, which comprises members from various departments, and is responsible for organising and conducting 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 NFRA. Effective from 20 August 2010, the Company started to implement the former CBIRC's regulation of "Measures for the Administration of Net Capital of Trust Companies" which was issued on the same day. Pursuant to this regulation, a trust company shall maintain its net capital at a level of no less than RMB200 million, the ratio of net capital to total risk-based capital at no less than 100%, and the ratio of net capital to net asset at no less than 40%. The Company reports the required capital information to the NFRA on a quarterly basis.

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

As at 30 June 2024, the Company's net capital was approximately RMB9.00 billion, which is not less than RMB200 million; the total risk-based capital was approximately RMB3.21 billion; the ratio of net capital to total risk-based capital was 280.2%, which is not lower than 100%; and the ratio of net capital to net asset was 80.0%, which is not lower than 40%.

HUMAN RESOURCES MANAGEMENT

In the first half of 2024, the Company continued to deepen market-oriented reform, followed the industry trend of returning to the roots, and actively created an environment conducive to talent gathering, growth, innovation and creation, so that the creative vitality of all types of talents could burst out and compete with each other, giving full play to their ingenuity to promote the Company's high-quality development.

Implementing incentives and constraints and giving full play to the role of assessment. Adopting 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 and the post avoidance system regulations.

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, and establish "Trust Classroom" and "Lighthouse Classroom" to improve professional standards and business capabilities of employees, providing strong support for the Company to expand businesses in related fields and actively respond to market changes. At the same time, to inherit the red gene, we guide the fellow party members and cadres to focus on the responsibility and mission of "gathering capital to develop Shandong".

Orderly organising labour unions and fully safeguarding the rights and interests of employees. We held the themed activity of "Open a New Chapter in the Year of Jiachen, Lantern Festival in the Year of Dragon" to enrich the spiritual and cultural life of employees, and the thematic walking activity of "Change Style, Increase Confidence, Make New Achievements" to enhance communication among employees and further stimulate their passion for entrepreneurship and motivation to make progress. 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 PRC laws and regulations. Please refer to Note VI. 16 "Employee Benefits Payable" to the Consolidated Financial Statements for details of the remuneration of employees of the Company.

As at 30 June 2023 and 30 June 2024, the Company had a total of 334 and 307 employees, respectively. The number and percentage of different employees by departments were as follows:

	30 June 2024		30 June 2023	
	Number of employees	**%**	Number of employees	%
Management	**11**	**3.58**	13	3.89
Trust business employees	**122**	**39.74**	131	39.22
Proprietary business employees	**3**	**0.98**	4	1.20
Wealth management employees	**53**	**17.26**	63	18.86
Risk management and audit employees	**47**	**15.31**	47	14.07
Financial and accounting employees	**7**	**2.28**	7	2.10
Operation management employees	**24**	**7.82**	28	8.38
Other staff [(1)]	**40**	**13.03**	41	12.28
Total	**307**	**100.00**	334	100.00

Note:

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

As at 30 June 2023 and 30 June 2024, the details of employees by age were as follows:

	30 June 2024 Number of employees	%	30 June 2023 Number of employees	%
Aged 25 and below	8	2.61	9	2.69
Aged 26-29	34	11.07	40	11.98
Aged 30-39	173	56.35	204	61.08
Aged 40 and above	92	29.97	81	24.25
Total	307	100.00	334	100.00

As at 30 June 2023 and 30 June 2024, the details of employees by education level were as follows:

	30 June 2024 Number of employees	%	30 June 2023 Number of employees	%
Doctoral degree and above	5	1.63	6	1.80
Master's degree	236	76.87	251	75.15
Bachelor's degree	61	19.87	72	21.55
Junior college and below	5	1.63	5	1.50
Total	307	100.00	334	100.00

As at 30 June 2023 and 30 June 2024, the details of employees by gender were as follows:

	30 June 2024 Number of employees	%	30 June 2023 Number of employees	%
Male	170	55.37	189	56.59
Female	137	44.63	145	43.41
Total	307	100.00	334	100.00

FUTURE PROSPECT

For some time to come, global liquidity will be gradually turning to easing, and the global economic and policy differentiation is expected to converge marginally. However, complex factors such as trade protectionism and geopolitical conflicts will still give rise to greater uncertainty, instability and imbalance. Domestically, insufficient effective demand and the continuous deepening of the new and old momentum conversion and structural adjustment will also pose certain challenges, but overall, high-quality development has become the main theme of socioeconomic development in China. Given the stable foundation, various advantages, strong resilience and great potential of the economy of China, stable operation and long-term improvement have become the basic characteristics and trends of the current economic operation.

The Central Financial Work Conference clarified the differentiated development positioning of different types of financial institutions within China's financial system as a whole, and pointed out the direction for various institutions to give full play to their own advantages and integrate into the overall situation of China's socioeconomic development. China's trust industry will find its roots at the origin of the system and, under the joint guidance of policies, market and other factors, locate its unique position within the financial system with Chinese characteristics. While focusing on the direction guided by the new regulations on three categories of trusts, and accelerating the return to its origin, transformation and development, China's trust industry will continuously build and improve a diversified, professional and characteristic trust product and service system, embarking on a path of high-quality development with Chinese characteristics.

Adhering to the guidance of regulatory policies and trust business classification reform, SITC will strengthen the pace of transformation, insist on returning to the origin of trust, rely on its own resource endowment, and focus on its characteristic tracks. Concentrating on the three major business development cores of the capital market, family trust, and wealth management, SITC will solidly enhance its localisation capabilities based on regional resources and pursue the "five major areas", so as to provide comprehensive financial services for the high-quality development of the real economy and people's needs for a better life, and strive to build a new pattern of high-quality development of the Company.

Changes in Share Capital and Shareholdings of Substantial Shareholders

CHANGES IN SHARE CAPITAL

Class of shares	31 December 2023 Number of shares	31 December 2023 Percentage (%)	Increase or decrease during the Reporting Period	30 June 2024 Number of shares	30 June 2024 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 2024, according to the register maintained by the Company pursuant to Section 336 of the SFO, and to the knowledge of the Company, the following persons have interests and short positions in the shares or underlying shares of the Company which are required to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or directly or indirectly hold 5% or more of any class of share capital of the Company:

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	225,000,000	6.44%	4.83%
Lucion Venture Capital Group Co., Ltd.(3)	Domestic Shares	Interest in a controlled corporation	225,000,000	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	873,528,750	25.00%	18.75%
CNPC Capital Company Limited [5]	Domestic Shares	Interest in a controlled corporation	873,528,750	25.00%	18.75%
CNPC Capital Joint Stock Company with Limited Liability[5]	Domestic Shares	Interest in a controlled corporation	873,528,750	25.00%	18.75%
China National Petroleum Corporation[5]	Domestic Shares	Interest in a controlled corporation	873,528,750	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 disclosure of interest forms disclosed on the website of Hong Kong Stock Exchange by certain Shareholders 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 . Therefore, Lucion Venture Capital is deemed to be interested in all of the shares of the Company held by Shandong High-Tech, and Lucion Group is deemed to be interested in all of the shares of the Company held indirectly by Lucion Venture Capital.

(4) Lucion Group is owned as to 90.75% by Shandong Provincial Finance Bureau and as to 9.25% by Shandong Caixin Assets Operation Co., Ltd. ("**Shandong Caixin**"), and Shandong Caixin is wholly-owned by the Shandong Provincial Finance Bureau. Shandong Provincial Finance Bureau is therefore deemed to be interested in all of the shares of the Company directly and indirectly held by Lucion Group.

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

(6) To the knowledge of the Company, Jinan Finance Holding Group Co., Ltd. has been renamed as Jinan Finance Investment Holding Group Co., Ltd., and it has been indirectly wholly-owned by Jinan Finance Bureau.

(7) To the knowledge of the Company, Qingdao Global Wealth Center Development and Construction Co., Ltd., which has been renamed as Qingdao Jinjialing Holding Group Co., Ltd., is wholly owned by Qingdao Laoshan District Finance Bureau and Qingdao Laoshan District Finance Bureau is therefore deemed to be interested in all of the shares of the Company held by Qingdao Global Wealth Center Development and Construction Co., Ltd.

(8) Chang Xin Asset Management Co., Ltd. holds the equity of the Company's shares as a trustee 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. Yue Zengguang (chairperson) as executive Director; Mr. Wang Zengye (vice chairperson) and Ms. Duan Xiaoxu as non-executive Directors; Mr. Zheng Wei, Ms. Zhang Haiyan and Ms. Liu Wanwen as independent non-executive Directors.

Supervisors

As at the date of this interim report, the members of the Board of Supervisors include Mr. Guo Xiangzhong (chairperson of the Board of Supervisors), Mr. He Shuguang, Ms. Diao Hongyi, Ms. Han Zhe and Ms. Wang Zhimei as shareholder representative Supervisors; Ms. Wang Qian as external Supervisor; Ms. Li Yan, Mr. Wei Xiangyang and Ms. Wu Yi as employee representative Supervisors.

Senior Management

As at the date of this interim report, the members of the senior management of the Company include 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 as vice general manager; Mr. Lin Guanwei as vice general manager; Mr. Tian Zhiguo as chief risk officer and Mr. Sun Botao as assistant to the general manager.

CHANGES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Changes of Directors

Upon the recommendation of the Board of Directors, Mr. Yue Zengguang was elected as an executive Director at the 2023 second extraordinary general meeting of the Company held on 28 November 2023 and was elected as the chairperson by the Board of Directors. The qualification of Mr. Yue as an executive Director and the chairperson of the Board of Directors has been approved by the Shandong Financial Regulatory Administration on 10 January 2024.

Mr. Yue Zengguang, Ms. Zhou Jing, Ms. Wang Bailing, Ms. Duan Xiaoxu, Mr. Zheng Wei, Ms. Zhang Haiyan and Ms. Liu Wanwen were re-elected or appointed as Directors of the fourth session of the Board of Directors at the annual general meeting for the year 2023 (the "**AGM**") convened on 27 June 2024. Due to the expiration of his term of office, Mr. Fang Hao was not re-elected as executive Director of the fourth session of the Board of Directors, and concurrently ceased to serve as the general manager of the Company, a member of the trust and consumer rights protection committee and a member of the related party transaction control committee of the Board of Directors. Mr. Wang Zengye and Mr. Zhao Zikun were not re-elected as non-executive Directors of the fourth session of the Board of Directors due to the expiration of their terms of office. Before the newly elected Directors take office by fulfilling the relevant procedures in accordance with the laws and regulations, Mr. Wang Zengye and Mr. Zhao Zikun shall continue to fulfill their duties as Directors until the qualifications of the newly elected Directors in the corresponding fourth session of the Board of Directors are approved by the local office of the NFRA, so to ensure that the structure of the members of the Board of Directors always complies with relevant provisions of the applicable laws and regulations and the Articles of Association.

Ms. Duan Xiaoxu's qualification as a non-executive Director was approved and became effective on 4 September 2024 by the Shandong Financial Regulatory Administration. Mr. Zhao Zikun has since ceased to serve as a non-executive Director. The qualification of Ms. Zhou Jing is subject to approval by the local office of the NFRA, and her term of office shall commence from the date of approval of her directorship qualification until the expiration of the term of the fourth session of the Board of Directors.

Due to adjustment of work arrangements, Ms. Wang Bailing tendered her resignation as a non-executive Director, a member of the trust and consumer rights protection committee and a member of the related party transaction control committee of the Board of Directors, with effect from 8 August 2024. The Board of Directors proposed to appoint Mr. Chen Xuebin as a non-executive Director, and to serve as a member of the trust and consumer rights protection committee and a member of the related party transaction control committee of the Board of Directors. The appointment of Mr. Chen as a Director is subject to the approval by the Shareholders at the general meeting and the approval by the local office of the NFRA.

Changes of Supervisors

Mr. Guo Xiangzhong, Mr. He Shuguang, Ms. Diao Hongyi, Ms. Han Zhe and Ms. Wang Zhimei were re-elected or appointed as shareholder representative Supervisors of the fourth session of the Board of Supervisors at the AGM. Ms. Wang Qian was appointed as an external Supervisor of the fourth session of the Board of Supervisors at the AGM. The shareholder representative Supervisors and external Supervisor of the fourth session of the Board of Supervisors shall have a term of three years, effective from the date of approval at the AGM. Ms. Li Yan, Mr. Wei Xiangyang and Ms. Wu Yi were democratically elected as the employee representative Supervisors of the Company at the employee representative meeting, and their respective terms of office will be three years commencing from the date of the establishment of the fourth session of the Board of Supervisors of the Company (i.e. 27 June 2024).

Mr. Guo Shougui, Mr. Chen Yong and Mr. Wu Chen were not re-elected as shareholder representative Supervisors of the fourth session of the Board of Supervisors of the Company due to the expiration of their terms of office. Ms. Wang Yan was not re-elected as an external Supervisor of the fourth session of the Board of Supervisors of the Company due to the expiration of her term of office. Mr. Zhang Wenbin was not re-elected as an employee representative Supervisor of the fourth session of the Board of Supervisors of the Company due to the expiration of his term of office.

Changes of Senior Management

Due to expiry of his term of office, Mr. Cui Fang ceased to serve as an assistant to the general manager of the Company since 27 June 2024.

The Company held a meeting of the Board of Directors on 27 June 2024 and agreed to appoint Mr. Lin Guanwei as a vice general manager of the Company. The qualification of Mr. Lin Guanwei as a vice general manager was approved by the Shandong Financial Regulatory Administration on 24 July 2024.

The Company held a meeting of the Board of Directors on 8 August 2024 and agreed to appoint Ms. Yuan Fang as a vice general manager of the Company. The appointment of Ms. Yuan Fang is subject to the approval of her qualification by the local office of the NFRA.

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 Shareholders and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code (the "**Corporate Governance Code**") contained in Appendix C1 to the Listing Rules as its own corporate governance code.

Pursuant to Code C.2.1 of Part 2 of the Corporate Governance Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. During the period from 10 November 2023 to 10 January 2024, Mr. Fang Hao, an executive Director and the general manager of the Company, assumed the duties of the chairperson of the Company in accordance with the relevant laws and regulations. During the tenure of office of Mr. Fang Hao as the chairperson, notwithstanding the deviation from the code provisions, under the supervision of the Board of Directors, the Board of Directors was appropriately structured with balance of power to provide sufficient check and balance to protect the interests of the Company and the Shareholders.

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

Since 27 June 2024, Mr. Fang Hao was not re-elected as an executive Director of the fourth session of the Board of Directors due to the expiration of his term of office, and concurrently ceased to serve as the general manager of the Company. Mr. Yue Zengguang temporarily assumes the duties of general manager of the Company until the Board of Directors appoints a new general manager and his/her qualification is approved by the local office of the NFRA, and such period shall not exceed six months. During the period in which Mr. Yue Zengguang as the chairperson of the Company assumes the duties of the general manager, notwithstanding the deviation from the above-mentioned code provisions of the Listing Rules, under the supervision of the Board of Directors, the Board of Directors is appropriately structured with balance of power to provide sufficient check and balance to protect the interests of the Company and the Shareholders.

Save as disclosed above, the Company was 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 2023 AGM in Jinan on 27 June 2024, at which certain resolutions were considered and approved, including the 2023 Work Report of the Board of Directors, 2023 Work Report of the Independent Directors and 2023 Work Report of the Board of Supervisors.

The 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 and in accordance with regulatory requirements.

THE BOARD OF DIRECTORS

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

During the Reporting Period, the Company convened six meetings of the Board of Directors and received and considered 57 resolutions and reports, including the Resolution on 2023 Work Report of the General Manager of SITC and the Resolution on 2023 Annual Report and Annual Results Announcement of SITC.

During the Reporting Period, the five committees under the Board of Directors convened a total of nine meetings, received and considered 30 resolutions and reports, including the Resolution on 2023 Financial Report (Draft) of SITC and the Resolution on Administrative Measures for Related Transactions of Shandong International Trust Co., Ltd. (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. Wei Xiangyang and Ms. Wu Yi were elected at our employee representative meeting while other Supervisors were 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 received and considered 14 resolutions and reports, including the Resolution on 2023 Work Report of the Board of Supervisors of SITC (Draft) and the Resolution on 2023 Performance Review of Directors, Supervisors and Senior Management by the Board of Supervisors of SITC.

During the Reporting Period, with a view to being committed to the Shareholders and the Company, the Board of Supervisors 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 functions 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 came to be informed of decisions of the Company and information about operation and management in detail, reviewed and verified the financial information, and continuously supervised Directors, Supervisors and senior management's lawful operation and decision-making procedures for major issues. It also reinforced 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, the Board of Supervisors conducted annual performance reviews, and issued evaluation reports on the performance of Directors, Supervisors and senior management.

Centered on periodic reports, the Board of Supervisors focused 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, duly performed their roles with great efforts 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 and have not 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 so to safeguard the Shareholders' investments and the Company's assets, and conduct annual review on the effectiveness of the internal control systems.

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

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 structure 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 in 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 2024. 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 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 of "compliance first, everyone compliance, active compliance and compliance creates value". 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 2023 internal control system of the Company, carrying out the evaluation of internal controls in terms of control environment, risk assessments, control activities, information and communication and internal supervision of the Company. The Company provided remedial measures for the possible internal control deficiencies, constantly improving and streamlining the internal control system of the Company;

(2) the Company conducted targeted inspections on existing business on a regular basis and focused on the compliance of business implementation, completeness of duty performance and validity of internal supervision in terms of projects approval, due diligence review, project approval, project establishment and duration management, so as to improve standard business management; and

(3) the Company conducted targeted inspections on net worth of trust projects management work and focused on the construction and implementation of relevant systems and the operational compliance of net worth of trust projects management.

During the Reporting Period, the Board of Directors 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 that 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 the Board of Directors and will be subject to approval of Shareholders' general meeting.

The Company will not declare an interim dividend for the year of 2024.

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

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

PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

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

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

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

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

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

MATERIAL LEGAL PROCEEDINGS AND ARBITRATION

As at 30 June 2024, the Company, being the plaintiff and applicant, was involved in eight 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 RMB1,720.2 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 2024, the Company, being the defendant, were involved in four pending material litigation cases involving an amount of more than RMB10 million. The value of litigation in which we were involved totalled approximately RMB794 million. These cases were mainly contractual disputes. In one of these cases, the Company only assumed the administrative management responsibility in accordance with the contract, and the total amount of litigation involved was approximately RMB700 million.

MATERIAL ACQUISITION, DISPOSAL AND MERGER OF ASSETS

The Company entered into an agreement on the acquisition of assets by issuance of shares with Guolian Securities Co., Ltd. ("**Guolian Securities**", a joint stock company incorporated in the PRC with limited liability, whose A shares and H shares are listed on the main board of the Shanghai Stock Exchange and the Hong Kong Stock Exchange respectively (A shares stock code: 601456; H shares stock code: 01456)) on 8 August 2024, pursuant to which, the Company and Guolian Securities have conditionally agreed that Guolian Securities shall acquire 132,715,017 shares of Minsheng Securities Co., Ltd. held by the Company through the acquisition of assets by issuing A shares at a consideration of RMB346.7124 million. Pursuant to the transfer consideration, the number of new A shares to be issued by Guolian Securities to be acquired by the Company under the transaction is 31,039,606 shares.

The transaction constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. As one of the applicable percentage ratios (as defined in the Listing Rules) in respect of the agreement on the acquisition of assets by issuance of shares and the transactions contemplated thereunder exceeds 5% but all are less than 25%, the transaction constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements but is exempt from the circular and Shareholders' approval requirements under the Listing Rules.

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

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

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 had 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

During the Reporting Period, the Company adopted a set of code of conduct for securities transactions implemented by its Directors, Supervisors and employees not inferior to the standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") specified in Appendix C3 to the Listing Rules. 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 code.

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

In January 2024, the Company, on specific information disclosure media, disclosed the Announcement on the Change in Chairperson of Shandong International Trust Co., Ltd..

AUDIT COMMITTEE

The Audit Committee has reviewed the interim results of the Company for the six months ended 30 June 2024 and the financial statements for the six months ended 30 June 2024 prepared in accordance with CASBE.

EVENTS AFTER THE REPORTING PERIOD

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

Report on Review of Interim Financial Information

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ShineWing

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Review Report

XYZH/2024JNAA3B0283
Shandong International Trust Co., Ltd.

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 2024, 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 2024 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 accordance with the Accounting Standards for Business Enterprises and have failed to fairly reflect the consolidated and parent company's financial position as at 30 June 2024 and the consolidated and parent company's results of operations and cash flows from January to June 2024 of SITC.

Shine Wing Certified Public Accountants LLP

China Certified Public Accountant: Wang Gongyong

China Certified Public Accountant: Guo Lechao

Beijing, China

28 August 2024

Consolidated Balance Sheet

30 June 2024

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

Item	Note	30 June 2024	31 December 2023
Assets:			
Monetary assets	VI·1	581,229,620.18	283,896,884.51
Clearing settlement funds			
Precious metal			
Interbank lendings			
Derivative financial assets			
Accounts receivable	VI·2	175,598,652.01	172,532,366.53
Contract assets			
Financial assets purchased under agreements to resell	VI·3	247,031,684.15	395,049,249.50
Assets classified as held for sale			
Loans and advances to customers	VI·4	2,024,230,758.86	2,201,525,213.77
Financial Investments:			
Financial assets held for trading	VI·5	3,946,705,403.36	4,506,454,958.18
Debt investments	VI·6	4,673,915,638.48	4,507,256,604.08
Other debt investments			
Other equity instrument investments			
Long-term equity investments	VI·7	711,548,858.04	844,069,102.22
Investment properties	VI·8	208,070,623.52	212,820,911.67
Fixed assets	VI·9	40,822,230.61	42,637,817.33
Construction in progress			
Right-of-use assets	VI·10	35,017,515.52	47,525,901.92
Intangible assets	VI·11	35,777,949.65	40,979,199.34
Long-term amortisation expenses	VI·12	19,868,439.10	20,814,361.23
Deferred income tax assets	VI·13	581,829,231.46	597,414,403.37
Other assets	VI·14	418,170,043.07	295,907,337.56
Total assets		13,699,816,648.01	14,168,884,311.21

Item	Note	30 June 2024	31 December 2023
Liabilities:			
Short-term borrowings	VI·15	**550,941,597.21**	974,779,055.55
Interbank borrowings			
Financial liabilities held for trading			
Derivative financial liabilities			
Financial assets sold under agreements to repurchase			
Employment benefits payable	VI·16	**99,989,010.98**	74,580,027.40
Taxes payable	VI·17	**53,586,938.61**	119,927,475.98
Accounts payable	VI·18	**4,080,955.60**	17,560,929.05
Contract liabilities	VI·19	**9,144,376.48**	18,162,088.23
Liabilities held for sale			
Provisions	VI·20	**129,676,911.07**	120,809,836.02
Long-term borrowings			
Bonds payable			
Including: Preferred shares			
Perpetual bonds			
Lease liabilities	VI·21	**26,928,276.22**	39,059,410.21
Deferred income tax liabilities	VI·13		
Other liabilities	VI·22	**1,568,321,753.93**	1,714,627,528.29
Total liabilities		**2,442,669,820.10**	3,079,506,350.73

Item	Note	30 June 2024	31 December 2023
Shareholders' equity:			
Share capital	VI·23	4,658,850,000.00	4,658,850,000.00
Other equity instruments			
Including: Preferred shares			
Perpetual bonds			
Capital reserve	VI·24	160,049,183.05	160,049,183.05
Less: Treasury shares			
Other comprehensive income	VI·25	-7,993,244.62	-5,253,999.65
Surplus reserve	VI·26	1,002,840,747.87	1,002,840,747.87
Trust compensation provision	VI·27	753,171,982.16	753,171,982.16
General risk provision	VI·27	594,239,495.47	594,239,495.47
Undistributed profit	VI·28	4,095,988,663.98	3,925,480,551.58
Total shareholders' equity attributable to the parent company		11,257,146,827.91	11,089,377,960.48
Non-controlling interests			
Total shareholders' equity		11,257,146,827.91	11,089,377,960.48
Total liabilities and shareholders' equity		13,699,816,648.01	14,168,884,311.21

Legal Representative:

Person in charge of accounting function:

Person in charge of accounting department:

Balance Sheet of the Parent Company

30 June 2024

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

Item	Note	30 June 2024	31 December 2023
Assets:			
Monetary assets		**541,629,617.66**	233,124,294.77
Clearing settlement funds			
Precious metal			
Interbank lendings			
Derivative financial assets			
Accounts receivable		**193,665,504.13**	189,351,468.14
Contract assets			
Financial assets purchased under agreements to resell		**247,031,684.15**	395,049,249.50
Assets classified as held for sale			
Loans and advances to customers	XVII·1	**173,367,867.72**	115,626,812.97
Financial Investments:			
Financial assets held for trading	XVII·2	**3,915,963,227.76**	4,475,199,213.84
Debt investments	XVII·3	**3,822,355,331.66**	3,653,457,256.31
Other debt investments			
Other equity instrument investments			
Long-term equity investments	XVII·4	**2,832,886,458.62**	3,154,977,851.76
Investment properties		**76,110,520.54**	78,978,085.00
Fixed assets		**40,822,230.61**	42,637,817.33
Construction in progress			
Right-of-use assets		**35,359,072.60**	48,892,130.06
Intangible assets		**35,777,949.65**	40,979,199.34
Long-term amortisation expenses		**19,868,439.10**	20,814,361.23
Deferred income tax assets		**582,576,880.95**	596,046,318.33
Other assets		**331,430,780.11**	204,637,753.15
Total assets		**12,848,845,565.26**	13,249,771,811.73

Item	Note	30 June 2024	31 December 2023
Liabilities:			
Short-term borrowings		550,941,597.21	974,779,055.55
Interbank borrowings			
Financial liabilities held for trading			
Derivative financial liabilities			
Financial assets sold under agreements to repurchase			
Employment benefits payable		99,989,010.98	74,580,027.40
Taxes payable		44,900,320.59	107,302,911.99
Accounts payable		3,993,422.39	16,709,657.85
Contract liabilities		9,144,376.48	18,162,088.23
Liabilities held for sale			
Provisions		129,676,911.07	120,809,836.02
Long-term borrowings			
Bonds payable			
Including: Preferred shares			
Perpetual bonds			
Lease liabilities		26,928,276.22	40,148,582.51
Deferred income tax liabilities			
Other liabilities		728,367,770.86	803,797,436.57
Total liabilities		1,593,941,685.80	2,156,289,596.12

Item	Note	30 June 2024	31 December 2023
Shareholders' equity:			
Share capital		**4,658,850,000.00**	4,658,850,000.00
Other equity instruments			
Including: Preferred shares			
Perpetual bonds			
Capital reserve		**160,049,183.05**	160,049,183.05
Less: Treasury shares			
Other comprehensive income		**-7,993,244.62**	-5,253,999.65
Surplus reserve		**1,002,840,747.87**	1,002,840,747.87
Trust compensation provision		**753,171,982.16**	753,171,982.16
General risk provision		**594,239,495.47**	594,239,495.47
Undistributed profit		**4,093,745,715.53**	3,929,584,806.71
Total shareholders' equity		**11,254,903,879.46**	11,093,482,215.61
Total liabilities and shareholders' equity		**12,848,845,565.26**	13,249,771,811.73

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

Consolidated Income Statement

January to June 2024

Prepared by: Shandong International Trust Co., Ltd.

Unit: RMB

Item		Note	January to June 2024	January to June 2023
I.	**Total operating income**		**587,751,833.39**	836,157,364.37
	Net Interest Income	VI·29	**-4,550,727.39**	35,014,025.25
	Including: Interest income	VI·29	**24,968,599.11**	75,332,384.05
	Interest expense	VI·29	**29,519,326.50**	40,318,358.80
	Net fee and commission income	VI·30	**270,763,144.72**	418,611,671.63
	Including: Fee and commission income	VI·30	**272,635,299.85**	421,228,725.81
	Fee and commission expenses	VI·30	**1,872,155.13**	2,617,054.18
	Investment income (losses indicated in "-")	VI·31	**42,144,364.27**	133,774,950.24
	Including: Income from investment in associates and joint ventures		**2,115,347.99**	10,152,591.24
	Net exposure hedging income (losses indicated in "-")			
	Other income			
	Gains from changes in fair value (losses indicated in "-")	VI·32	**241,813,117.08**	212,071,055.06
	Gains from changes in net assets attributable to third-party investors in consolidated structured entities (losses indicated in "-")	VI·33	**27,318,716.60**	31,763,513.05
	Exchange gain (losses indicated in "-")	VI·34	**0.07**	0.34
	Other operating income	VI·35	**10,389,090.69**	4,899,395.52
	Gains on disposal of assets (losses indicated in "-")	VI·36	**-125,872.65**	22,753.28
II.	**Total operating costs**		**295,780,081.56**	447,435,774.27
	Tax and surcharges	VI·37	**2,953,580.30**	5,193,112.60
	Business and administrative expenses	VI·38	**132,811,708.90**	163,970,832.11
	Credit impairment losses	VI·39	**154,963,412.71**	278,020,439.58
	Impairment losses on other assets	VI·40	**2,064,588.45**	
	Other operating costs	VI·41	**2,986,791.20**	251,389.98
III.	**Operating profit (losses indicated in "-")**		**291,971,751.83**	388,721,590.10
	Add: Non-operating income	VI·42	**462,212.97**	2,922,007.48
	Less: Non-operating expenses	VI·43	**39,107,167.89**	115,721,630.92
IV.	**Total profit (total losses indicated in "-")**		**253,326,796.91**	275,921,966.66
	Less: Income tax expenses	VI·44	**82,818,684.51**	100,844,791.11

Item	Note	January to June 2024	January to June 2023
V. Net profit (net loss indicated in "-")		**170,508,112.40**	175,077,175.55
(I) Categorised by the nature of continuing operations		**170,508,112.40**	175,077,175.55
1. Net profit from continuing operations (net loss indicated in "-")		**170,508,112.40**	175,077,175.55
2. Net profit from discontinued operations (net loss indicated in "-")			
(II) Categorised by ownership:		**170,508,112.40**	175,077,175.55
1. Net profit attributable to owner of the parent company (net loss indicated in "-")		**170,508,112.40**	175,077,175.55
2. Profit or loss attributable to non-controlling interests (net loss indicated in "-")			
VI. Other comprehensive income, net of tax		**-2,739,244.97**	136,296.86
Other comprehensive income attributable to the owner of the parent company, net of tax		**-2,739,244.97**	136,296.86
(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			

Item	Note	January to June 2024	January to June 2023
(II) Other comprehensive income that will be reclassified to profit or loss		-2,739,244.97	136,296.86
1. Other comprehensive income that can be reclassified to profit or loss under equity method		-3,685,941.38	136,296.86
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		946,696.41	
Other comprehensive income attributable to non-controlling interests, net of tax			
VII. Total comprehensive income		167,768,867.43	175,213,472.41
Total comprehensive income attributable to the shareholders of the parent company		167,768,867.43	175,213,472.41
Total comprehensive income attributable to non-controlling interests			
VIII. Earnings per share:			
(I) Basic earnings per share (RMB/share)		0.04	0.04
(II) Diluted earnings per share (RMB/share)		0.04	0.04

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

Income Statement of the Parent Company

January to June 2024

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

Item	Note	January to June 2024	January to June 2023
I. Total operating income		**574,826,280.51**	797,021,412.41
Net Interest Income	XVII ·5	**-11,658,406.67**	-5,349,645.35
Including: Interest income	XVII ·5	**11,568,563.74**	24,637,958.14
Interest expense	XVII ·5	**23,226,970.41**	29,987,603.49
Net fee and commission income	XVII ·6	**274,145,526.16**	429,282,057.35
Including: Fee and commission income	XVII ·6	**276,017,681.29**	431,899,111.53
Fee and commission expenses	XVII ·6	**1,872,155.13**	2,617,054.18
Investment income (losses indicated in "-")	XVII ·7	**58,839,837.88**	158,119,577.57
Including: Income from investment in associates and joint ventures		**2,115,347.99**	10,152,591.24
Net exposure hedging income (losses indicated in "-")			
Other income			
Gains from changes in fair value (losses indicated in "-")	XVII ·8	**243,236,105.03**	210,386,184.21
Exchange gain (losses indicated in "-")		**0.07**	0.34
Other operating income		**10,389,090.69**	4,560,485.01
Gains on disposal of assets (losses indicated in "-")		**-125,872.65**	22,753.28
II. Total operating costs		**291,317,466.78**	408,808,814.42
Tax and surcharges		**2,608,964.92**	4,734,003.10
Business and administrative expenses		**128,887,576.50**	153,589,425.23
Credit impairment losses		**154,769,545.71**	250,233,996.11
Impairment losses on other assets		**2,064,588.45**	
Other operating costs		**2,986,791.20**	251,389.98
III. Operating profit (losses indicated in "-")		**283,508,813.73**	388,212,597.99
Add: Non-operating income		**462,212.96**	2,922,007.47
Less: Non-operating expenses		**39,107,167.89**	115,721,630.92
IV. Total profit (total losses indicated in "-")		**244,863,858.80**	275,412,974.54
Less: Income tax expenses		**80,702,949.98**	100,717,543.08
V. Net profit (net loss indicated in "-")		**164,160,908.82**	174,695,431.46
(I) Net profit from continuing operations (net loss indicated in "-")		**164,160,908.82**	174,695,431.46
(II) Net profit from discontinued operations (net loss indicated in "-")			

Item	Note	January to June 2024	January to June 2023
VI. Other comprehensive income, net of tax		-2,739,244.97	136,296.86
(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		-2,739,244.97	136,296.86
1. Other comprehensive income that can be reclassified to profit or loss under equity method		-3,685,941.38	136,296.86
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		946,696.41	
VII. Total comprehensive income		161,421,663.85	174,831,728.32
VIII. Earnings per share:			
(I) Basic earnings per share (RMB/share)		0.04	0.04
(II) Diluted earnings per share (RMB/share)		0.04	0.04

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

Consolidated Cash Flow Statement

January to June 2024

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

Item	Note	January to June 2024	January to June 2023
I. Cash flows from operating activities:			
Interest, fee and commission income charged		**289,086,973.94**	480,481,838.98
Net decrease in financial assets purchased under agreements to resell		**148,017,565.35**	
Net decrease in loans and advances to customers			103,970,000.00
Net decrease in financial assets held for trading		**746,244,221.86**	
Other cash received from operating activities		**16,089,155.73**	281,570,235.98
Subtotal of cash inflows from operating activities		**1,199,437,916.88**	866,022,074.96
Interest, fee and commission income paid		**5,457,479.39**	295,711.75
Net increase in financial assets purchased under agreements to resell			142,501,047.58
Net increase in loans and advances to customers		**53,916,438.11**	
Net increase in financial assets held for trading			602,862,507.61
Net increase in debt investments		**129,363,637.75**	132,534,030.44
Cash paid to and on behalf of employees		**47,811,534.88**	66,341,679.52
Tax payments		**146,205,839.09**	366,695,233.60
Net decrease in net assets attributable to the third-party investors in consolidated structured entities		**12,882,415.97**	161,425,039.88
Other cash paid for operating activities		**226,847,517.95**	271,859,487.00
Subtotal of cash outflows from operating activities		**622,484,863.14**	1,744,514,737.38
Net cash flows from operating activities		**576,953,053.74**	-878,492,662.42
II. Cash flows from investing activities:			
Cash received from disposal of investments		**227,463,282.64**	900,287,051.82
Cash received from return of investments		**3,763,004.29**	781,250.00
Net cash received from disposal of fixed assets, intangible assets and other long- term assets		**5,800.00**	81,558.16
Other cash received from investing activities			
Subtotal of cash inflows from investing activities		**231,232,086.93**	901,149,859.98
Cash paid for the acquisition and construction of fixed assets, intangible assets and other long-term assets		**11,376,167.68**	15,269,186.55
Cash paid for investments		**29,950,000.00**	768,366,807.14
Other cash paid for investing activities			
Subtotal of cash outflows from investing activities		**41,326,167.68**	783,635,993.69
Net cash flows from investing activities		**189,905,919.25**	117,513,866.29

Item	Note	January to June 2024	January to June 2023
III. Cash flows from financing activities:			
Cash received from investments			
Cash received from borrowings		**180,000,000.00**	702,500,000.00
Other cash received from financing activities			
Subtotal of cash inflows from financing activities		**180,000,000.00**	702,500,000.00
Cash paid for the repayments of debts		**602,500,000.00**	2,000,000,000.00
Cash paid for the distribution of dividends and profits			
Cash paid for the repayment of interest		**23,491,979.86**	32,127,770.38
Other cash payments relating to financing activities		**23,534,257.53**	15,033,968.30
Subtotal of cash outflows from financing activities		**649,526,237.39**	2,047,161,738.68
Net cash flows from financing activities		**-469,526,237.39**	-1,344,661,738.68
IV. Effect of exchange rate changes on cash and cash equivalents		**0.07**	0.34
V. Net increase in cash and cash equivalents		**297,332,735.67**	-2,105,640,534.47
Add: Opening balance of cash and cash equivalents		**168,896,884.51**	2,240,590,484.12
VI. Closing balance of cash and cash equivalents		**466,229,620.18**	134,949,949.65

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

Cash Flow Statement of the Parent Company

January to June 2024

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

Item	Note	January to June 2024	January to June 2023
I. Cash flows from operating activities:			
Interest, fee and commission income charged		275,686,938.57	453,705,338.49
Net decrease in financial assets purchased under agreements to resell		148,017,565.35	
Net decrease in loans and advances to customers			
Net decrease in financial assets held for trading		753,605,427.74	
Other cash received from operating activities		10,851,303.65	144,704,783.24
Subtotal of cash inflows from operating activities		1,188,161,235.31	598,410,121.73
Interest, fee and commission income paid		1,872,155.06	295,711.75
Net increase in financial assets purchased under agreements to resell			172,540,675.38
Net increase in loans and advances to customers		53,696,572.65	
Net increase in financial assets held for trading			585,780,586.28
Net increase in debt investments		129,363,637.75	132,534,030.44
Cash paid to and on behalf of employees		47,811,534.88	66,341,679.52
Tax payments		141,923,277.74	363,980,743.61
Other cash paid for operating activities		225,368,416.27	235,646,937.13
Subtotal of cash outflows from operating activities		600,035,594.35	1,557,120,364.11
Net cash flows from operating activities		588,125,640.96	-958,710,242.38
II. Cash flows from investing activities:			
Cash received from disposal of investments		227,463,282.64	956,385,551.82
Cash received from return of investments		3,763,004.29	781,250.00
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		5,800.00	81,558.16
Other cash received from investing activities			
Subtotal of cash inflows from investing activities		231,232,086.93	957,248,359.98
Cash paid for the acquisition and construction of fixed assets, intangible assets and other long-term assets		11,376,167.68	15,269,186.55
Cash paid for investments		29,950,000.00	781,417,460.00
Other cash paid for investing activities			
Subtotal of cash outflows from investing activities		41,326,167.68	796,686,646.55
Net cash flows from investing activities		189,905,919.25	160,561,713.43

Item	Note	January to June 2024	January to June 2023
III. Cash flows from financing activities:			
Cash received from investments			
Cash received from borrowings		180,000,000.00	702,500,000.00
Other cash received from financing activities			
Subtotal of cash inflows from financing activities		180,000,000.00	702,500,000.00
Cash paid for the repayments of debts		602,500,000.00	2,000,000,000.00
Cash paid for the distribution of dividends and profits			
Cash paid for the repayment of interest		23,491,979.86	32,127,770.38
Other cash payments relating to financing activities		23,534,257.53	15,033,968.30
Subtotal of cash outflows from financing activities		649,526,237.39	2,047,161,738.68
Net cash flows from financing activities		-469,526,237.39	-1,344,661,738.68
IV. Effect of exchange rate changes on cash and cash equivalents		0.07	0.34
V. Net increase in cash and cash equivalents		308,505,322.89	-2,142,810,267.29
Add: Opening balance of cash and cash equivalents		118,124,294.77	2,208,303,414.59
VI. Closing balance of cash and cash equivalents		426,629,617.66	65,493,147.30

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

Consolidated Statement of Changes in Equity

January to June 2024

Prepared by: Shandong International Trust Co., Ltd.

Unit: RMB

Item	January to June 2024														
	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		-5,253,999.65	1,002,840,747.87	753,171,982.16	594,239,495.47	3,925,480,551.58		11,089,377,960.48		11,089,377,960.48
Add: Effects of changes in accounting policies															
Correction of prior errors															
Business combination under common control															
Others															
II. Balance at the beginning of the year	4,658,850,000.00				160,049,183.05		-5,253,999.65	1,002,840,747.87	753,171,982.16	594,239,495.47	3,925,480,551.58		11,089,377,960.48		11,089,377,960.48
III. Change for the year (decrease indicated in "-")							-2,739,244.97				170,508,112.40		167,768,867.43		167,768,867.43
(I) Total comprehensive income							-2,739,244.97				170,508,112.40		167,768,867.43		167,768,867.43
(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 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 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		-7,993,244.62	1,002,840,747.87	753,171,982.16	594,239,495.47	4,095,988,663.98		11,257,146,827.91		11,257,146,827.91

Item	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 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
III. Change for the year (decrease indicated in "-")							-3,523,457.79	23,410,517.36	23,410,517.36	70,231,552.07	41,580,959.93		155,110,088.93		155,110,088.93
(I) Total comprehensive income							-3,523,457.79				158,633,546.72		155,110,088.93		155,110,088.93
(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								23,410,517.36	23,410,517.36	70,231,552.07	-117,052,586.79				
1. Appropriation to surplus reserve								23,410,517.36			-23,410,517.36				
2. Appropriation to risk provision									23,410,517.36	70,231,552.07	-93,642,069.43				
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		-5,253,999.65	1,002,840,747.87	753,171,982.16	594,239,495.47	3,925,480,551.58		11,089,377,960.48		11,089,377,960.48

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

Statement of Changes in Equity of the Parent Company

January to June 2024

Prepared by: Shandong International Trust Co., Ltd.

Unit: RMB

Item	January to June 2024												
	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		-5,253,999.65	1,002,840,747.87	753,171,982.16	594,239,495.47	3,929,584,806.71		11,093,482,215.61
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		-5,253,999.65	1,002,840,747.87	753,171,982.16	594,239,495.47	3,929,584,806.71		11,093,482,215.61
III. Change for the year (decrease indicated in "-")							-2,739,244.97				164,160,908.82		161,421,663.85
(I) Total comprehensive income							-2,739,244.97				164,160,908.82		161,421,663.85
(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 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 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		-7,993,244.62	1,002,840,747.87	753,171,982.16	594,239,495.47	4,093,745,715.53		11,254,903,879.46

Item	2023												
	Share capital	Other equity instruments			Capital reserve	Less: treasury shares	Other comprehensive income	Surplus reserve	Trust compensation provision	General risk provision	Undistributed profit	Other	Total equity
		Preferred shares	Perpetual bonds	Others									
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	3,812,532,219.93		10,862,900,499.83
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		-1,730,541.86	979,430,230.51	729,761,464.80	524,007,943.40	3,812,532,219.93		10,862,900,499.83
III. Change for the year (decrease indicated in "-")							-3,523,457.79	23,410,517.36	23,410,517.36	70,231,552.07	117,052,586.78		230,581,715.78
(I) Total comprehensive income							-3,523,457.79				234,105,173.57		230,581,715.78
(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								23,410,517.36	23,410,517.36	70,231,552.07	-117,052,586.79		
1. Appropriation to surplus reserve								23,410,517.36			-23,410,517.36		
2. Appropriation to risk provision									23,410,517.36	70,231,552.07	-93,642,069.43		
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		-5,253,999.65	1,002,840,747.87	753,171,982.16	594,239,495.47	3,929,584,806.71		11,093,482,215.61

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

Notes to the Financial Statements

For the period from 1 January 2024 to 30 June 2024
(All amounts are presented in RMB except otherwise stated)

I. BASIC INFORMATION ABOUT THE COMPANY

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

The Company was transformed from a wholly state-owned company to a limited liability company in August 2002 and further transformed to a joint stock limited company in July 2015. The Company completed its public offering on 8 December 2017 and its shares were listed on the Main Board of the Hong Kong Stock Exchange. As at 30 June 2024, the amount of share capital was RMB4,658,850,000 with a par value of RMB1 per share.

The Company belongs to the trust industry, and as approved, the principal activities of the Company include trust business and proprietary business. Trust business is the Company's principal business. As the trustee, the Company accepts entrustment of funds or property from its trustor clients and manages such entrusted funds or property to satisfy its trustor clients' investment and wealth management needs, as well as the counterparty clients' financing needs. The Company's proprietary business focuses on allocating its proprietary assets into different asset classes and investing in various businesses with strategic value to its trust business in order to maintain and increase the value of its proprietary assets.

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

Legal representative: Yue Zengguang (岳增光)

Registered capital: RMB4,658.85 million

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.

These financial statements were approved for reporting on 28 August 2024 by the Board of Directors of the Company.

II. SCOPE OF CONSOLIDATION OF FINANCIAL STATEMENTS

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

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

III. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

1. Basis of preparation

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

2. Going concern

The Group has evaluated its ability to continue as a going concern for the 12 months from 30 June 2024, and has not found any events or conditions that may cast significant doubt on its ability to continue as a going concern. The financial statements are presented on a going concern basis.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

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

1. Statement of Compliance with the ASBE

The financial statements are prepared in accordance with ASBE, and present truly, accurately and completely, the Company and the Group's financial position as at 30 June 2024, results of operations and cash flows from 1 January to 30 June 2024.

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.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

4. Functional Currency

The Group uses RMB as its functional currency.

5. Determination method and selection basis of materiality standards

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

6. Preparation of Consolidated Financial Statements

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

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

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

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

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

6. Preparation of Consolidated Financial Statements (Continued)

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.

7. Cash and Cash Equivalents

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

8. Transactions Denominated in Foreign Currencies

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

9. Financial Assets and Financial Liabilities

Measurement: amortised cost and effective interest rate

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

9. Financial Assets and Financial Liabilities (Continued)

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.

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.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

9. Financial Assets and Financial Liabilities (Continued)

(1) Financial assets

1) Classification and subsequent measurement of financial assets

The Group classifies its financial assets in the following measurement categories: ① fair value through profit or loss ("**FVTPL**"); ② fair value through other comprehensive income ("**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:

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

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

Business model: The business model reflects how the Group manages its financial assets in order to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the financial assets or is to collect the contractual cash flows and sell the financial assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the business model of these financial assets is 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.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

9. Financial Assets and Financial Liabilities (Continued)

(1) Financial assets (Continued)

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

Debt instruments (Continued)

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

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

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

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

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

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

9. Financial Assets and Financial Liabilities (Continued)

(1) Financial assets (Continued)

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

Equity 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 expected credit loss ("**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)

9. Financial Assets and Financial Liabilities (Continued)

(1) Financial assets (Continued)

3) Modification of loan contracts

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

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

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

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

④ Significant change in the interest rates.

⑤ Change in the currency of the loan.

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

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

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

9. Financial Assets and Financial Liabilities (Continued)

(1) Financial assets (Continued)

4) Derecognition other than modification

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

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

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

② is prohibited from selling or pledging the financial assets;

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

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

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

9. Financial Assets and Financial Liabilities (Continued)

(2) Financial liabilities

1) Classification, recognition basis and measurement of financial liabilities

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

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

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

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

2) Conditions for derecognition of financial liabilities

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

9. Financial Assets and Financial Liabilities (Continued)

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

The fair value of the Group's financial assets and financial liabilities are measured at the price in the principal market. If there is no principal market, the fair value of the financial assets and financial liabilities are measured at the price in the most advantageous market and using the valuation techniques that are appropriate at the time and with sufficient available data and other information. The inputs used in the fair value measurement are divided into three levels: Level 1 inputs are the unadjusted quoted price in active markets for identical assets or liabilities that can be obtained on the measurement date; Level 2 inputs are the directly or indirectly observable inputs of relevant assets or liabilities other than those within Level 1 inputs; Level 3 inputs are the unobservable inputs of relevant assets or liabilities. 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)

10. Long-term Equity Investments

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

(1) Subsidiaries

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

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

(2) Associates

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

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

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

For long-term equity investments accounted for using the equity method, the Group 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)

11. Fixed Assets

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

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

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	5-8	3.00	12.13-19.40
3	Electronic equipment	3-5	3.00	19.40-32.33
4	Office equipment	5-10	3.00	9.70-19.40

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

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

12. Right-of-use Assets

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

(1) Initial measurement

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

(2) Subsequent measurement

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

Depreciation of right-of-use assets

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

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

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

Impairment of right-of-use assets

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

13. 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.

14. 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)

15. Impairment of Long-term Assets

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

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

16. Long-term Amortisation Expenses

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

17. Borrowings

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

18. Lease Liabilities

(1) Initial measurement

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

1) Lease payments

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

18. Lease Liabilities (Continued)

(1) Initial measurement (Continued)

2) Discount rate

In calculating the present value of lease payments, the Group uses the incremental borrowing rate as the discount rate if the interest rate implicit in the lease is not readily determinable. The incremental borrowing rate is the rate that the Group must pay in the similar economic environment in order to obtain the assets whose value is close to that of right-of-use assets, and under similar pledge conditions in similar periods to borrow funds. The interest rate is related to: 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.

(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).

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

19. Provisions

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

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

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

20. Employee Benefits

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

(1) Short-term employee benefits

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

(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.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

20. Employee Benefits (Continued)

(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.

21. Deferred Income Tax Assets and Deferred Income Tax Liabilities

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

21. Deferred Income Tax Assets and Deferred Income Tax Liabilities (Continued)

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.

For a single transaction which is not a business combination, does not affect accounting profit or taxable income (or deductible loss) at the time of the transaction, and in which the initial recognition of assets and liabilities results in equal amounts of taxable temporary differences and deductible temporary differences (including lease transactions in which the lessee initially recognises the lease liability on the commencement date of the lease term and credits the right-of-use asset, and transactions in which the anticipated liability is recognised and credited to the cost of the related asset due to the existence of an obligation to dispose of fixed assets, etc.), the taxable temporary differences and deductible temporary differences arising from the initial recognition of assets and liabilities of the transaction are recognised by the Group as deferred tax liabilities and deferred tax assets respectively at the time of the transaction.

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

22. Risk Provision

Risk provision includes general risk provision and trust compensation provision.

(1) General risk provision

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

22. Risk Provision (Continued)

(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.

23. 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 fee and commission income in accordance with the trustee's remuneration rate agreed in the contract or agreement and the accounting period in which the services are rendered.

(2) Interest income

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

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

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

(3) Dividend income

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

24. Government Grants

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

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

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

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

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

25. Leases

(1) Identification of leases

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

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

25. Leases (Continued)

(2) The Group as the lessee

1) Lease recognition

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

2) Lease change

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

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

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

25. Leases (Continued)

(2) The Group as the lessee (Continued)

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

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

(3) The Group as the lessor

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

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

1) Accounting treatment for finance lease

The Group has no finance lease business.

2) Accounting treatment of operating lease

When the Group leases out self-owned buildings, rental income from an operating lease is recognised on a straight-line basis over the period of the lease. 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.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

26. Segment Information

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

Segment assets and liabilities, segment revenue, expenses and operating results are measured in accordance with the Group's accounting policies. There are no differences between the accounting policies used in 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.

27. Trust Business

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

28. Critical Accounting Estimates and 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) ③, which also sets out sensitivities of the ECL to changes in these elements.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

28. Critical Accounting Estimates and Judgements (Continued)

(1) *Measurement of ECL (Continued)*

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.

(3) *Whether the Company has control over structured entities*

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

(4) *Income tax expenses*

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

29. Changes in Significant Accounting Policies and Accounting Estimates

(1) Changes in significant accounting policies

The Group had no significant changes in accounting policies during the 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

Tax type	Taxation basis	Tax rate
Value-added tax	For the value-added tax taxable activities occurred during the operation of asset management products by the manager of asset management products, the value-added tax shall be paid at the rate of 3%. Output tax is calculated at a tax rate of 6% on the taxable income, and is levied according to the difference after deducting deductible input tax for the current period	3%、6%
City construction and maintenance tax	Turnover tax payable	7%
Education surcharges	Turnover tax payable	3%
Local education surcharge	Turnover tax payable	2%
Corporate income tax	Taxable income	25%

2. Tax 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 Ministry of Finance 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 Ministry of Finance 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 1 January 2024; and the "closing" refers to 30 June 2024. The "current period" refers to the period from 1 January 2024 to 30 June 2024; and the "previous period" refers to the period from 1 January 2023 to 30 June 2023. The currency unit is RMB.

1. Monetary Assets

Item	Closing balance	Opening balance
Cash on hand		
Bank deposits	**162,841,468.32**	219,277,117.03
Other monetary assets	**418,388,151.86**	64,619,767.48
Total	**581,229,620.18**	283,896,884.51
Including: Total amount deposited overseas		

Note 1: As at 30 June 2024, bank deposits attributable to the consolidated structured entities amounted to RMB40 million (31 December 2023: RMB51 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 2024, the Group's funds in bank account amounted to RMB115 million were frozen due to litigation.

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

2. Accounts Receivable

(1) Categorisation of accounts receivable

Item	Closing balance	Opening balance
Original value of trustee's remuneration receivable	**192,184,377.08**	186,186,000.01
Less: bad debt provision	**16,585,725.07**	13,653,633.48
Net trustee's remuneration receivable	**175,598,652.01**	172,532,366.53

(All amounts are presented in RMB except otherwise stated)

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

2. Accounts Receivable (Continued)

(2) Accounts receivable classified and presented by provision for bad debts

	Closing balance				
	Book balance		Provision for bad debts		Book value
Category	Amount	Proportion (%)	Amount	Provision ratio (%)	
Provision for bad debts made according to the general model of expected credit losses	192,184,377.08	100.00	16,585,725.07	8.63	175,598,652.01
Total	192,184,377.08	100.00	16,585,725.07	8.63	175,598,652.01

	Opening balance				
	Book balance		Provision for bad debts		Book value
Category	Amount	Proportion (%)	Amount	Provision ratio (%)	
Provision for bad debts made according to the general model of expected credit losses	186,186,000.01	100.00	13,653,633.48	7.33	172,532,366.53
Total	186,186,000.01	100.00	13,653,633.48	7.33	172,532,366.53

(All amounts are presented in RMB except otherwise stated)

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

2. Accounts Receivable (Continued)

(3) Provision for bad debts accrued, recovered or reversed during the period for accounts receivables

Category	Opening balance	Change in the current period: Provision	Recovery or reversal	Resale or write-off	Others	Closing balance
Provision for bad debts of accounts receivable	13,653,633.48	2,932,091.59				**16,585,725.07**
Total	13,653,633.48	2,932,091.59				**16,585,725.07**

(4) No accounts receivable written off for the period

(5) Top five accounts receivable by closing balance collected by debtors

Name of entities	Closing balance of accounts receivable	Percentage of total closing balance of accounts receivable (%)	Closing Balance of provision for bad debts of accounts receivable
Entity 1	24,040,034.50	12.51	3,485,805.00
Entity 2	11,445,833.86	5.96	596,327.94
Entity 3	7,348,233.27	3.82	382,842.95
Entity 4	7,311,966.07	3.80	380,953.43
Entity 5	6,960,602.50	3.62	1,161,724.56
Total	57,106,670.20	29.71	6,007,653.88

3. Financial Assets Purchased under Resale Agreements

Item (Investee)	Closing balance	Opening balance
Government bonds purchased under agreements to resell	**247,031,684.15**	395,049,249.50
Less: Bad debt provision		
Total carrying amounts	**247,031,684.15**	395,049,249.50

(All amounts are presented in RMB except otherwise stated)

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

4. Loans and Advances to Customers

(1) Information on loans and advances to customers

Item	Closing balance Book balance	 Loss allowance	 Book value
Principal	**2,308,495,394.61**	**353,778,788.90**	**1,954,716,605.71**
Interest receivables	**98,851,791.97**	**29,337,638.82**	**69,514,153.15**
Total	**2,407,347,186.58**	**383,116,427.72**	**2,024,230,758.86**

Item	Opening balance Book balance	 Loss allowance	 Book value
Principal	2,428,707,215.22	339,298,759.90	2,089,408,455.32
Interest receivables	125,370,637.71	13,253,879.26	112,116,758.45
Total	2,554,077,852.93	352,552,639.16	2,201,525,213.77

Changes of impairment reserves for loans and advances to customers in the period

Item	Opening balance	Increase in the period	Decrease in the period	Closing balance
Principal	339,298,759.90	43,603,600.75	29,123,571.75	**353,778,788.90**
Interest receivables	13,253,879.26	17,144,623.56	1,060,864.00	**29,337,638.82**
Total	352,552,639.16	60,748,224.31	30,184,435.75	**383,116,427.72**

(All amounts are presented in RMB except otherwise stated)

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

4. Loans and Advances to Customers (Continued)

(2) Accrual of impairment reserves for loans and advances to customers

Provision for bad debts	Stage 1 Expected credit losses for the next 12 months	Stage 2 Expected credit loss for the entire duration (no credit impairment)	Stage 3 Expected credit loss for the entire duration (credit impairment has occurred)	Total
Balance as of 1 January 2024	41,800,273.44	129,832,315.97	180,920,049.75	352,552,639.16
Balance as of 1 January 2024 in current period	—	—	—	—
– Transfer to stage 2				
– Transfer to stage 3	-23,523,592.15	-129,832,315.97	153,355,908.12	
– Reverse to stage 2				
– Reverse to stage 1				
Accrual in the period	-74,845.98		39,590,224.05	39,515,378.07
Reversal in the period				
Cancellation in the period				
Charge off in the period				
Other changes			-8,951,589.51	-8,951,589.51
Balance as of 30 June 2024	18,201,835.31		364,914,592.41	383,116,427.72

(3) No loans and advances to customers were actually written off in current period

5. Financial Assets Held for Trading

Item	Closing balance	Opening balance
Financial assets at fair value through profit or loss	**3,946,705,403.36**	4,506,454,958.18
Including: Stock investments	**1,588,087,656.80**	1,481,480,500.44
Public fund investments	**368,698,816.05**	783,319,294.32
Investment in asset management scheme	**649,045,505.40**	937,216,509.01
Bond investments	**14,085,379.03**	11,628,084.26
Equity investments in unlisted companies	**909,404,449.13**	661,871,769.23
Trust Industry Protection Fund	**114,337,480.55**	112,308,002.18
Investments in trust schemes	**298,046,116.40**	518,630,798.74
Bank wealth management	**5,000,000.00**	
Total	**3,946,705,403.36**	4,506,454,958.18

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

5. Financial Assets Held for Trading (Continued)

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 Ministry of Finance 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 2024, the Group's contribution to the Trust Industry Protection Fund calculated in accordance with the above requirements amounted to RMB114,337,480.55, 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)

6. Debt Investments

(1) Details of debt investments

Item	Closing balance Book balance	 Loss allowance	 Book value
Principal	**7,097,187,554.16**	**2,437,564,007.92**	**4,659,623,546.24**
Interest receivables	**16,547,306.73**	**2,255,214.49**	**14,292,092.24**
Total	**7,113,734,860.89**	**2,439,819,222.41**	**4,673,915,638.48**

Item	Opening balance Book balance	 Loss allowance	 Book value
Principal	6,813,114,600.48	2,321,985,255.43	4,491,129,345.05
Interest receivables	17,822,396.37	1,695,137.34	16,127,259.03
Total	6,830,936,996.85	2,323,680,392.77	4,507,256,604.08

Changes in impairment reserves of debt investment in current period

Item	Opening balance	Increase in current period	Decrease in current period	Closing balance
Principal	2,321,985,255.43	134,508,553.10	18,929,800.61	**2,437,564,007.92**
Interest receivables	1,695,137.34	596,468.28	36,391.13	**2,255,214.49**
Total	2,323,680,392.77	135,105,021.38	18,966,191.74	**2,439,819,222.41**

(All amounts are presented in RMB except otherwise stated)

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

6. Debt Investments (Continued)

(2) *Accrual of impairment reserve for debt investment*

Provision for bad debts	Stage 1 Expected credit losses for the next 12 months	Stage 2 Expected credit loss for the entire duration (no credit impairment)	Stage 3 Expected credit loss for the entire duration (credit impairment has occurred)	Total
Balance as of 1 January 2024	50,245,268.52	27,111,019.42	2,246,324,104.83	2,323,680,392.77
Balance as of 1 January 2024 in the period	—	—	—	—
– Transfer to stage 2				
– Transfer to stage 3	-2,973,546.84	-21,144,888.47	24,118,435.31	
– Reverse to stage 2				
– Reverse to stage 1				
Accrual in the period	1,167,971.50	185,114.00	94,251,972.05	95,605,057.55
Reversal in the period				
Cancellation in the period				
Charge off in the period				
Other changes			20,533,772.09	20,533,772.09
Balance as of 30 June 2024	48,439,693.18	6,151,244.95	2,385,228,284.28	2,439,819,222.41

7. Long-term Equity Investments

Item	Closing balance	Opening balance
Associates accounted for using the equity method	**390,493,415.90**	521,590,675.22
Enterprises invested by the consolidated structured entities	**321,055,442.14**	322,478,427.00
Total	**711,548,858.04**	844,069,102.22

(All amounts are presented in RMB except otherwise stated)

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

7. Long-term Equity Investments (Continued)

(1) Associates accounted for using equity method

		Increase or decrease in the period									
Investee	Opening balance (Book value)	Increase investment	Reduce investment	Investment profit confirmed under equity method	Adjustment of other comprehensive income	Change in other equities	Declared cash dividend or profit	Accrual of impairment reserve	Others	**Closing balance (Book value)**	Closing balance of provision for impairment
Dezhou Bank Co. Ltd.	130,250,054.17			1,936,524.19	1,316,857.79				-133,503,436.15		
Sinotruck Auto Finance Co., Ltd.	225,155,089.98			670,244.70	-22,093.40					**225,803,241.28**	
Taishan Property & Casualty Insurance Co., Ltd.	162,277,280.10			-184,681.53	-1,003,935.55					**161,088,663.02**	
Anhui Luxin Private Equity Investment Fund Management Co., Ltd.	3,908,250.97			-306,739.37						**3,601,511.60**	
Total	521,590,675.22			2,115,347.99	290,828.84				-133,503,436.15	**390,493,415.90**	

(2) Enterprises invested by the consolidated structured entities

Item	**Closing balance**	Opening balance
Opening balance	**322,478,427.00**	387,404,424.00
Increase in the period		
Decrease in the period		49,571,500.00
Other change	**-1,422,984.86**	-15,354,497.00
Closing balance	**321,055,442.14**	322,478,427.00

(All amounts are presented in RMB except otherwise stated)

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

8. Investment Properties

(1) Investment properties measured by cost method

Item	House and buildings	Land use rights	Total
I. Original book value			
1. Opening balance	288,817,769.59		288,817,769.59
2. Increase in the period			
(1) External purchase			
(2) Transfer from fixed assets or construction in process			
3. Decrease in the period			
(1) Disposal			
(2) Other transfer out			
4. Closing balance	288,817,769.59		288,817,769.59
II. Accumulated depreciation and accumulated amortisation			
1. Opening balance	75,996,857.92		75,996,857.92
2. Increase in the period	4,750,288.15		4,750,288.15
(1) Provision or amortisation	4,750,288.15		4,750,288.15
(2) Transfer from fixed assets or construction in process			
3. Decrease in the period			
(1) Disposal			
(2) Other transfer out			
4. Closing balance	80,747,146.07		80,747,146.07
III. Impairment reserve			
1. Opening balance			
2. Increase in the period			
(1) Provision			
3. Decrease in the period			
(1) Disposal			
(2) Other transfer out			
4. Closing balance			
IV. Book value			
1. Book value at the end of the period	208,070,623.52		208,070,623.52
2. Book value at the beginning of the period	212,820,911.67		212,820,911.67

(2) The Group had no investment properties without the property right certificate.

(All amounts are presented in RMB except otherwise stated)

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

9. Fixed Assets

Item	Book value at the end of the period	Book value at the beginning of the period
Fixed assets	40,822,230.61	42,637,817.33
Liquidation of fixed assets		
Total	40,822,230.61	42,637,817.33

9.1 Fixed assets

(1) Situations of fixed assets

Item	House and buildings	Transport tool	Electronic equipment	Office equipment	Total
I. Original book value					
1. Opening balance	17,492,195.28	2,799,452.06	34,179,161.56	8,660,145.07	63,130,953.97
2. Increase in the period			1,117,081.13	1,403,373.93	2,520,455.06
(1) Purchase			1,117,081.13	1,403,373.93	2,520,455.06
3. Decrease in the period			227,749.99	494,454.35	722,204.34
(1) Disposal or retirement			227,749.99	494,454.35	722,204.34
(2) Transfer to investment properties					
4. Closing balance	17,492,195.28	2,799,452.06	35,068,492.70	9,569,064.65	64,929,204.69
II. Accumulated depreciation					
1. Opening balance	2,037,627.48	2,021,251.99	12,822,312.97	3,611,944.20	20,493,136.64
2. Increase in the period	282,046.68	123,878.10	3,093,821.67	814,629.20	4,314,375.65
(1) Provision	282,046.68	123,878.10	3,093,821.67	814,629.20	4,314,375.65
3. Decrease in the period			220,917.49	479,620.72	700,538.21
(1) Disposal or retirement			220,917.49	479,620.72	700,538.21
(2) Transfer to investment properties					
4. Closing balance	2,319,674.16	2,145,130.09	15,695,217.15	3,946,952.68	24,106,974.08
III. Impairment reserve					
1. Opening balance					
2. Increase in the period					
(1) Provision					
3. Decrease in the period					
(1) Disposal or retirement					
4. Closing balance					
IV. Book value					
1. Book value at the end of the period	15,172,521.12	654,321.97	19,373,275.55	5,622,111.97	40,822,230.61
2. Book value at the beginning of the period	15,454,567.80	778,200.07	21,356,848.59	5,048,200.87	42,637,817.33

(All amounts are presented in RMB except otherwise stated)

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

9. Fixed Assets (Continued)

9.1 Fixed assets (Continued)

(2) As of 30 June 2024, the Group temporarily had no idle fixed assets

(3) As of 30 June 2024, the Group had no fixed assets leased through operating lease

(4) As of 30 June 2024, the Group had no fixed assets for which the property right certificates have not been completed

10. Right-of-use Assets

Item	House and buildings	Total
I. Original book value		
1. Opening balance	90,126,911.76	90,126,911.76
2. Increase in the period		
(1) Rent		
3. Decrease in the period	2,932,781.15	2,932,781.15
(1) Disposal	2,932,781.15	2,932,781.15
4. Closing balance	87,194,130.61	87,194,130.61
II. Accumulated depreciation		
1. Opening balance	42,601,009.84	42,601,009.84
2. Increase in the period	12,252,054.91	12,252,054.91
(1) Provision	12,252,054.91	12,252,054.91
3. Decrease in the period	2,676,449.66	2,676,449.66
(1) Disposal	2,676,449.66	2,676,449.66
4. Closing balance	52,176,615.09	52,176,615.09
III. Impairment reserve		
1. Opening balance		
2. Increase in the period		
(1) Provision		
3. Decrease in the period		
(1) Disposal		
4. Closing balance		
IV. Book value		
1. Book value at the end of the period	35,017,515.52	35,017,515.52
2. Book value at the beginning of the period	47,525,901.92	47,525,901.92

(All amounts are presented in RMB except otherwise stated)

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

11. Intangible Assets

(1) Details of intangible assets

Item	Land use rights	Software	Total
I. Original book value			
1. Opening balance	15,566,146.46	67,922,905.93	83,489,052.39
2. Increase in the period		669,911.50	669,911.50
(1) Purchase		669,911.50	669,911.50
(2) Internal R&D			
(3) Increase from enterprise merger			
3. Decrease in the period			
(1) Disposal			
4. Closing balance	15,566,146.46	68,592,817.43	84,158,963.89
II. Accumulated amortisation			
1. Opening balance	15,566,146.46	26,943,706.59	42,509,853.05
2. Increase in the period		5,871,161.19	5,871,161.19
(1) Provision		5,871,161.19	5,871,161.19
3. Decrease in the period			
(1) Disposal			
4. Closing balance	15,566,146.46	32,814,867.78	48,381,014.24
III. Impairment reserve			
1. Opening balance			
2. Increase in the period			
(1) Provision			
3. Decrease in the period			
(1) Disposal			
4. Closing balance			
IV. Book value			
1. Book value at the end of the period		35,777,949.65	35,777,949.65
2. Book value at the beginning of the period		40,979,199.34	40,979,199.34

(2) As at 30 June 2024, the Group had no land use rights without the proprietorship certificate

(All amounts are presented in RMB except otherwise stated)

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

12. Long-term Amortisation Expenses

Item	Opening balance	Increase for the period	Amortisation for the period	Other decreases for the period	Closing balance
Renovation fee	20,814,361.23	4,649,964.75	5,595,886.88		19,868,439.10
Total	20,814,361.23	4,649,964.75	5,595,886.88		19,868,439.10

13. Deferred Income Tax Assets and Deferred Income Tax Liabilities

(1) Deferred tax assets without offsetting

	Closing balance		Opening balance	
Item	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Assets impairment reserve	2,727,056,176.13	681,764,044.04	2,572,286,630.42	643,071,657.63
Accrued but unpaid wages and bonuses	99,989,010.98	24,997,252.75	74,580,027.40	18,645,006.85
Fair value change	147,113,996.06	36,778,499.02	108,501,690.29	27,125,422.57
Provisions	129,676,911.07	32,419,227.77	120,809,836.02	30,202,459.01
Lease liabilities	26,928,276.22	6,732,069.06	40,148,582.51	10,037,145.63
Accumulated profit or loss of consolidated trust scheme attributable to the Company			5,472,340.17	1,368,085.04
Total	3,130,764,370.46	782,691,092.64	2,921,799,106.81	730,449,776.73

(2) Deferred income tax liabilities without offsetting

	Closing balance		Opening balance	
Item	Taxable temporary difference	Deferred income tax liabilities	Taxable temporary difference	Deferred income tax liabilities
Changes in fair value on financial assets at fair value through profit or loss	765,097,774.16	191,274,443.54	483,249,363.36	120,812,340.84
Accumulated profit or loss of consolidated trust scheme attributable to the Company	2,990,597.94	747,649.49		
Right-of-use assets	35,359,072.60	8,839,768.15	48,892,130.06	12,223,032.52
Total	803,447,444.70	200,861,861.18	532,141,493.42	133,035,373.36

(All amounts are presented in RMB except otherwise stated)

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

13. Deferred Income Tax Assets and Deferred Income Tax Liabilities (Continued)

(3) Net deferred income tax assets or liabilities are shown presented after offset

Item	Closing offset amount of deferred income tax assets and liabilities	Closing balance of deferred income tax assets or liabilities after offset	Offset amount between deferred income tax assets and liabilities at the beginning of the period	Opening balance of deferred income tax assets or liabilities after offset
Deferred income tax assets	200,861,861.18	581,829,231.46	133,035,373.36	597,414,403.37
Deferred income tax liabilities	200,861,861.18		133,035,373.36	

14. Other Assets

Item	Closing balance	Opening balance
Advance Payments	23,545,280.40	27,453,305.93
Other receivables	275,130,549.27	243,399,954.73
Other assets	119,494,213.40	25,054,076.90
Total	418,170,043.07	295,907,337.56

14.1 Advance Payments

(1) Aging of advance payments

	Closing balance		Opening balance	
Item	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	13,379,835.15	56.83	20,097,475.85	73.21
1-2 years	5,086,826.60	21.6	5,373,211.43	19.57
2-3 years	3,096,000.00	13.15	1,869,711.69	6.81
Over 3 years	1,982,618.65	8.42	112,906.96	0.41
Total	23,545,280.40	100.00	27,453,305.93	100.00

(All amounts are presented in RMB except otherwise stated)

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

14. Other Assets (Continued)

14.1 Advance Payments (Continued)

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

Name of entities	Closing balance	Aging	Proportion in the total amount of the closing balance of advance payment (%)
Entity 1	15,612,198.50	Within 4 years	66.31
Entity 2	1,740,000.00	Within 4 years	7.39
Entity 3	860,741.91	Within 1 year	3.66
Entity 4	570,000.00	1-2 years	2.42
Entity 5	541,800.00	1-2 years	2.30
Total	19,324,740.41		82.08

14.2 Other receivables

(1) Other receivables categorised by nature

Nature of payment	**Book balance at the end of the period**	Book balance at the beginning of the period
Advances	**112,364,757.65**	68,021,237.71
Current accounts	**90,776,575.71**	103,600,749.83
Debt transfers	**95,730,501.99**	90,000,000.00
Receivable from court settled litigation	**13,174,120.00**	13,174,120.00
Others	**4,912,296.14**	5,102,846.49
Total	**316,958,251.49**	279,898,954.03

(All amounts are presented in RMB except otherwise stated)

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

14. Other Assets (Continued)

14.2 Other receivables (Continued)

(2) Other receivables presented by aging

Aging	Closing balance
Within 1 year (inclusive)	155,192,736.58
1-2 years	125,834,255.56
2-3 years	12,688,277.19
Over 3 years	23,242,982.16
Total	316,958,251.49

(3) Other receivables classified and presented by provision for bad debts

Category	Closing balance				
	Book balance		Provision for bad debts		
	Amount	Percentage (%)	Amount	Provision ratio (%)	Book value
Provision for bad debts made according to the general model of expected credit losses	316,958,251.49	100.00	41,827,702.22	13.20	275,130,549.27
Total	316,958,251.49	100.00	41,827,702.22	13.20	275,130,549.27

Category	Opening balance				
	Book balance		Provision for bad debts		
	Amount	Percentage (%)	Amount	Provision ratio (%)	Book value
Provision for bad debts made according to the general model of expected credit losses	279,898,954.03	100.00	36,498,999.30	13.04	243,399,954.73
Total	279,898,954.03	100.00	36,498,999.30	13.04	243,399,954.73

(All amounts are presented in RMB except otherwise stated)

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

14. Other Assets (Continued)

14.2 Other receivables (Continued)

(3) Other receivables classified and presented by provision for bad debts (Continued)

1) Provision for bad debts made according to the general model of expected credit losses for other receivables

Provision for bad debts	Stage 1 Expected credit losses for the next 12 months	Stage 2 Expected credit loss for the entire duration (no credit impairment)	Stage 3 Expected credit loss for the entire duration (credit impairment has occurred)	Total
Balance as of 1 January 2024	692,831.82	14,198,184.70	21,607,982.78	36,498,999.30
Balance as of 1 January 2024 in the period	—	—	—	—
– Transfer to stage 2	-18,981.00	18,981.00		
– Transfer to stage 3	-113,394.66	-148,660.46	262,055.12	
– Reverse to stage 2				
– Reverse to stage 1				
Accrual in the period	320,306.41	3,623,600.09	1,384,796.42	5,328,702.92
Reversal in the period				
Cancellation in the period				
Charge off in the period				
Other changes				
Balance as of 30 June 2024	880,762.57	17,692,105.33	23,254,834.32	41,827,702.22

(4) Provision for bad debts accrued, recovered or reversed during the period for other receivables

Category	Opening balance	Change in the period Provision	Recovery or reversal	Resale or write-off	Others	Closing balance
Provision for bad debts of other receivables	36,498,999.30	5,328,702.92				**41,827,702.22**
Total	36,498,999.30	5,328,702.92				**41,827,702.22**

(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)

14. Other Assets (Continued)

14.2 Other receivables (Continued)

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

Name of entities	Nature	Closing balance	Aging	Proportion in the total amount of the closing balance of other receivables (%)	Closing balance of provision for bad debt
Entity 1	Debt transfers and advances	106,974,305.00	Within 2 years	33.75	11,386,626.46
Entity 2	Current accounts	37,119,025.47	Within 1 year	11.71	
Entity 3	Advances	35,600,000.00	Within 1 year	11.23	3,816,320.00
Entity 4	Current accounts	24,647,566.46	Within 1 year	7.78	
Entity 5	Advances	14,853,372.30	2-3 years	4.69	1,592,281.51
Total	—	219,194,269.23	—	69.16	16,795,227.97

14.3 Other assets

Item	Carrying balance	Closing balance Provision for impairment/ decline in value	Carrying amount
Investment in artworks	9,471,737.45	7,717,660.55	1,754,076.90
Assets for debt settlement	63,201,943.06	2,064,588.45	61,137,354.61
Prepaid corporate income tax	56,602,781.89		56,602,781.89
Total	129,276,462.40	9,782,249.00	119,494,213.40

Item	Carrying balance	Opening balance Provision for impairment/ decline in value	Carrying amount
Investment in artworks	9,471,737.45	7,717,660.55	1,754,076.90
Assets for debt settlement	23,300,000.00		23,300,000.00
Total	32,771,737.45	7,717,660.55	25,054,076.90

(All amounts are presented in RMB except otherwise stated)

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

15. Short-term Borrowings

(1) The category of short-term borrowings

Category	Closing balance	Opening balance
Borrowings from China Trust Protection Fund Co., Ltd.	**550,941,597.21**	974,779,055.55
Total	**550,941,597.21**	974,779,055.55

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

16. 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	55,542,801.10	66,534,231.01	41,125,247.43	**80,951,784.68**
Long-term remuneration	19,037,226.30			**19,037,226.30**
Post-employment benefits – defined contribution plans		5,648,743.57	5,648,743.57	
Termination benefits		85,935.47	85,935.47	
Total	74,580,027.40	72,268,910.05	46,859,926.47	**99,989,010.98**

(2) Short-term remuneration

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
Salaries, bonuses, allowances and subsidies	55,542,801.10	54,574,069.28	30,577,222.46	**79,539,647.92**
Employee welfare		1,937,059.83	1,937,059.83	
Social insurance		2,912,839.96	2,912,839.96	
Including: Medical insurance		2,820,798.49	2,820,798.49	
Work-related injury insurance		74,737.28	74,737.28	
Maternity insurance		17,304.19	17,304.19	
Housing provident fund		5,177,179.75	5,177,179.75	
Labour union funds and employee education funds		1,691,260.21	279,123.45	**1,412,136.76**
Labour cost		241,821.98	241,821.98	
Total	55,542,801.10	66,534,231.01	41,125,247.43	**80,951,784.68**

(All amounts are presented in RMB except otherwise stated)

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

16. Employee Benefits Payable (Continued)

(3) Long-term remuneration

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
Bonuses, allowances and subsidies	19,037,226.30			**19,037,226.30**
Total	19,037,226.30			**19,037,226.30**

(4) Defined contribution plans

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
Basic pension insurance		5,418,695.71	5,418,695.71	
Unemployment insurance		230,047.86	230,047.86	
Total		5,648,743.57	5,648,743.57	

17. Taxes Payable

Item	Closing balance	Opening balance
Corporate income tax		6,170,828.82
Value-added tax	**50,929,535.92**	110,261,027.75
Individual income tax	**174,082.24**	667,284.82
City maintenance and construction tax	**1,091,511.71**	1,229,861.27
Stamp duty	**260,802.53**	368,646.03
Property tax	**324,070.79**	324,070.79
Education surcharges	**467,354.22**	527,083.37
Regional education surcharges	**312,297.00**	351,388.93
Land-use tax	**27,284.20**	27,284.20
Total	**53,586,938.61**	119,927,475.98

(All amounts are presented in RMB except otherwise stated)

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

18. Accounts payable

Item	Closing balance	Opening balance
Payment to Suppliers	**4,080,955.60**	17,560,929.05
Total	**4,080,955.60**	17,560,929.05

19. Contractual liabilities

Item	Closing balance	Opening balance
Trustee's remuneration received in advance	**1,808,097.74**	5,924,747.04
Receipt in advance from other special businesses	**7,336,278.74**	12,237,341.19
Total	**9,144,376.48**	18,162,088.23

20. Provisions

Item	Closing balance	Opening balance	Reason
Litigation compensation	**129,676,911.07**	120,809,836.02	Litigation
Total	**129,676,911.07**	120,809,836.02	–

Note 1: On 22 May 2023, the Intermediate People's Court of Binzhou City, Shandong Province issued a second instance judgment on the case of a private lending dispute between Shandong Qixing Real Estate Company ("**Shandong Qixing**") and Rizhao Hainadijing Real Estate Co., Ltd. ("**Rizhao Dijing**"), Shandong Haina Real Estate Co., Ltd. ("**Haina Real Estate Company**") and our Company, which upheld the first instance judgment that our Company shall assume the supplementary compensation liability for the payment of the loan principal of RMB100 million and related interest by Rizhao Dijing to Shandong Qixing. As the bank deposit of the Company of RMB115,000,000.00 has been frozen by the People's Court of Zouping City, Shandong Province, the Company has made provision for estimated liabilities of RMB124,906,746.58 based on the current progress. The Company has submitted an application for procuratorial supervision to the Binzhou Municipal People's Procuratorate regarding the judgment of the Intermediate People's Court of Binzhou City, and in December 2023, the Binzhou Municipal People's Procuratorate accepted the application for supervision and reviewed the case. In July 2024, the Binzhou Municipal People's Procuratorate issued the Decision Letter of Not Supporting Supervision Application.

Note 2: On 25 December 2023, the Intermediate People's Court of Rizhao City, Shandong Province issued a judgment on the case of dispute of shareholders damage to the interests of the Company creditors between Rizhao Dianjin Supply Chain Management Co., Ltd.* ("**Rizhao Dianjin**") (日照點金供應鏈管理有限公司) and Haina Real Estate Company, Shanghai Nuosheng Investment Management Co., Ltd.* (上海諾晟投資管理有限公司) and our Company, which upheld the first instance judgment that our Company shall bear joint and several liability for the remaining debt principal of RMB106,010.00 for Rizhao Dijing owed to Rizhao Dianjin, as well as the penalty for breach of contract and debt interest during the delayed performance period. The Company has made provision for estimated liabilities of RMB4,770,164.49 based on the current progress. In June 2024, the Company made a retrial request to the Higher People's Court of Shandong Province, which the court has filed a case for review.

(All amounts are presented in RMB except otherwise stated)

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

21. Lease Liabilities

Item	Closing balance	Opening balance
Lease payment	28,213,726.63	41,401,432.89
Less: unrecognised finance charges	1,285,450.41	2,342,022.68
Total	26,928,276.22	39,059,410.21

22. Other Liabilities

Item	Closing balance	Opening balance
Receipt in advance	59,292,408.07	69,694,523.13
Other payables	758,353,418.62	834,874,346.83
Other liabilities	750,675,927.24	810,058,658.33
Total	1,568,321,753.93	1,714,627,528.29

22.1 Receipt in advance

Category	Closing balance	Opening balance
Deferred trustee's remuneration income	9,292,408.07	19,694,523.13
Advance receipts for debt transfers	50,000,000.00	50,000,000.00
Total	59,292,408.07	69,694,523.13

22.2 Other payables

Nature of account	Closing balance	Opening balance
Receipt in advance from borrowers	263,530,139.80	333,940,146.10
Payables to National Council for Social Security Fund	227,451,700.87	227,451,700.87
Advances from trust schemes and other investments	238,673,737.90	246,457,748.89
Others	28,697,840.05	27,024,750.97
Total	758,353,418.62	834,874,346.83

(All amounts are presented in RMB except otherwise stated)

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

22. Other Liabilities (Continued)

22.2 Other payables (Continued)

Note 1: Receipt in advance from borrowers represents that the Company collects the Trust Industry Protection Fund on behalf of the financiers of the financing trust schemes in accordance with the regulations, and then pays the fund to the China Trust Industry Protection Fund. As at 30 June 2024, the amount of the Trust Industry Protection Fund collected on behalf by the Company but unpaid was RMB264 million (31 December 2023: RMB334 million).

Note 2: Payables to the National Council for Social Security Fund represents the proceeds of RMB227 million from the disposal of the Company's shares attributable to the National Council for Social Security Fund upon the initial public offering.

Note 3: Advances from trust schemes and other investments are advances received from equity investments in consolidated structured entities, which are presented as other liabilities in the consolidated statements as the revenue recognition criteria are not met.

22.3 Other liabilities

Item	Closing balance	Opening balance
Net assets attributable to third-party trust beneficiaries of consolidated structured entities	**747,523,555.40**	806,900,452.66
Others	**3,152,371.84**	3,158,205.67
Total	**750,675,927.24**	810,058,658.33

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

23. Share Capital

Item	Opening balance	Increase or decrease for the period (+, -)					Closing balance
		Issuance of new shares	Bonus shares	Reserve transferred to shares	Others	Subtotal	
Shandong Luxin Investment Holdings Group Co., Ltd.	2,242,202,578.74						**2,242,202,578.74**
CNPC Assets Management Co., Ltd.	873,528,750.00						**873,528,750.00**
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						**225,000,000.00**
Shandong Gold Group Co., Ltd. (山東黃金集團有限公司)	80,073,468.18						**80,073,468.18**
Weifang Investment Group Co., Ltd. (濰坊市投資集團有限公司)	60,055,101.54						**60,055,101.54**
Jinan Energy Investment Co., Ltd. (濟南市能源投資有限責任公司)	13,255,101.54						**13,255,101.54**
Listed circulating shares	1,164,735,000.00						**1,164,735,000.00**
Total	4,658,850,000.00						**4,658,850,000.00**

(All amounts are presented in RMB except otherwise stated)

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

24. 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

25. Other Comprehensive Income

		Amount incurred in the period						
Item	Opening Balance	Amount before income tax in 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	-5,253,999.65	-2,739,244.97				-2,739,244.97		-7,993,244.62
Including: Other comprehensive income to be reclassified to profit or loss under equity method	-4,307,303.24	-3,685,941.38				-3,685,941.38		-7,993,244.62
Other	-946,696.41	946,696.41				946,696.41		
Total other comprehensive income	-5,253,999.65	-2,739,244.97				-2,739,244.97		-7,993,244.62

(All amounts are presented in RMB except otherwise stated)

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

26. Surplus Reserve

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
Statutory surplus reserve	985,121,352.05			**985,121,352.05**
Discretionary surplus reserve	17,719,395.82			**17,719,395.82**
Total	1,002,840,747.87			**1,002,840,747.87**

27. Risk Provision

Item	Closing balance	Opening balance
General risk provision	**594,239,495.47**	594,239,495.47
Trust compensation provision	**753,171,982.16**	753,171,982.16
Total	**1,347,411,477.63**	1,347,411,477.63

(1) General risk provision

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
General risk provision	594,239,495.47			**594,239,495.47**
Total	594,239,495.47			**594,239,495.47**

(2) Trust compensation provision

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
Trust compensation provision	753,171,982.16			**753,171,982.16**
Total	753,171,982.16			**753,171,982.16**

(All amounts are presented in RMB except otherwise stated)

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

28. Undistributed Profit

Item	For the period	Last period
Balance as at the end of last year	3,925,480,551.58	3,883,899,591.65
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	3,925,480,551.58	3,883,899,591.65
Add: Net profit attributable to owners of the parent company for the period	170,508,112.40	158,633,546.72
Less: Appropriation to statutory surplus reserve		23,410,517.36
Appropriation to discretionary surplus reserve		
Appropriation to general risk provision		70,231,552.07
Appropriation to trust compensation provision		23,410,517.36
Ordinary share dividends payable		
Ordinary share dividends transferred to share capital		
Closing balance	4,095,988,663.98	3,925,480,551.58

(All amounts are presented in RMB except otherwise stated)

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

29. Net Interest Income

Item	Amount recognised for the period	Amount recognised in the previous period
Interest income	24,968,599.11	75,332,384.05
Including: Cash and bank balances	740,606.65	1,133,179.92
Loans and advances to customers	16,331,574.08	54,083,013.34
Debt investments	5,687,082.20	9,975,832.03
Financial assets purchased under resale agreements	2,141,117.56	10,036,255.55
Other	68,218.62	104,103.21
Interest expenses	29,519,326.50	40,318,358.80
Including: Short-term borrowings	22,154,521.52	28,181,802.74
Income attributable to third-party trust beneficiaries in consolidated structured entities	6,298,773.72	10,409,945.00
Other	1,066,031.26	1,726,611.06
Net interest income	-4,550,727.39	35,014,025.25

30. Net Fee and Commission Income

Item	Amount recognised for the period	Amount recognised in the previous period
Fee and commission income	272,635,299.85	421,228,725.81
Including: Trustee's remuneration	246,517,735.93	394,913,011.84
Other	26,117,563.92	26,315,713.97
Fee and commission expense	1,872,155.13	2,617,054.18
Including: Guarantee fee	1,830,750.45	2,321,342.43
Other	41,404.68	295,711.75
Net fee and commission income	270,763,144.72	418,611,671.63

(All amounts are presented in RMB except otherwise stated)

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

31. Investment Income

Item	Amount recognised for the period	Amount recognised in the previous period
Long-term equity investment income accounted for using equity method	2,115,347.99	10,152,591.24
Investment income from holding financial assets	33,162,769.37	124,422,359.00
Investment income from disposal of long-term equity investments	6,818,678.42	
Investment income from disposal of loans and other debt investments	47,568.49	-800,000.00
Total	42,144,364.27	133,774,950.24

32. 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	243,236,101.94	212,071,055.06
Enterprises invested by the consolidated structured entities	-1,422,984.86	
Total	241,813,117.08	212,071,055.06

33. 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	27,318,716.60	31,763,513.05
Total	27,318,716.60	31,763,513.05

(All amounts are presented in RMB except otherwise stated)

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

34. Exchange gain

Item	Amount recognised for the period	Amount recognised in the previous period
Exchange gain	0.07	0.34
Total	0.07	0.34

35. Other operating income

Item	Amount recognised for the period	Amount recognised in the previous period
Revenue from leasing of investment properties	3,170,334.01	
Revenue from leasing of fixed assets	1,022,621.65	656,297.58
Other income	6,196,135.03	4,243,097.94
Total	10,389,090.69	4,899,395.52

36. 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	-125,872.65	22,753.28	-125,872.65
Gains on disposal of non-current assets not classified as held for sale	-125,872.65	22,753.28	-125,872.65
Including: Gains on disposal of fixed assets	-125,872.65	22,753.28	-125,872.65
Including: Gains on disposal of right-of-use assets			
Total	-125,872.65	22,753.28	-125,872.65

(All amounts are presented in RMB except otherwise stated)

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

37. Tax and Surcharges

Item	Amount recognised for the period	Amount recognised in the previous period
City maintenance and construction tax	751,481.24	1,756,918.86
Education surcharges	322,063.38	752,965.23
Regional education surcharges	214,708.93	501,976.81
Property tax	1,049,246.55	961,634.38
Stamp duty	541,642.52	1,156,268.04
Land use tax	72,547.68	61,459.28
Vessel and vehicle tax	1,890.00	1,890.00
Total	2,953,580.30	5,193,112.60

38. Business and Administration Fees

Item	Amount recognised for the period	Amount recognised in the previous period
Employee benefits	72,268,910.05	93,045,145.13
Depreciation and amortisation	29,928,910.06	31,832,465.83
Legal and professional fees	3,137,159.38	4,512,787.36
Network fees	7,439,751.06	3,385,351.70
Promotional expenses	4,100,475.41	6,400,820.94
Lease charges	3,800,648.41	4,525,536.02
Business hospitality expenses	1,482,369.91	2,566,688.00
Travel expenses	1,555,605.08	2,277,754.86
Office expenses	235,816.78	589,317.25
Other	8,862,062.76	14,834,965.02
Total	132,811,708.90	163,970,832.11

(All amounts are presented in RMB except otherwise stated)

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

39. Credit Impairment Losses

Item	Amount recognised for the period	Amount recognised in the previous period
Loss on bad debts of accounts receivable	2,932,091.59	8,296,805.62
Loss on bad debts of other receivables	5,328,702.92	16,575,761.93
Impairment losses on loans and advances to customers	51,097,560.65	61,134,249.02
Impairment losses on debt investments	95,605,057.55	192,013,623.01
Total	154,963,412.71	278,020,439.58

40. Impairment Losses on Other Assets

Item	Amount recognised for the period	Amount recognised in the previous period
Impairment losses on repossessed assets	2,064,588.45	
Total	2,064,588.45	

41. Other Operating Costs

Item	Amount recognised for the period	Amount recognised in the previous period
Depreciation of investment properties	2,867,564.46	
Depreciation of leased fixed assets		136,899.75
Other costs	119,226.74	114,490.23
Total	2,986,791.20	251,389.98

(All amounts are presented in RMB except otherwise stated)

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

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		2,742,235.44	
Government grants	183,202.21	178,394.86	183,202.21
Others	279,010.76	1,377.18	279,010.76
Total	462,212.97	2,922,007.48	462,212.97

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

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	39,090,475.05	114,430,547.95	39,090,475.05
Penalty cost		400,000.00	
Losses on retirement of non-current assets	16,127.97	891,082.97	16,127.97
Other	564.87		564.87
Total	39,107,167.89	115,721,630.92	39,107,167.89

(All amounts are presented in RMB except otherwise stated)

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

44. Income Tax Expenses

(1) Income tax expenses

Item	Amount recognised for the period	Amount recognised in the previous period
Income tax expense for the year	67,233,512.60	147,164,139.19
Deferred income tax expenses	15,585,171.91	-46,319,348.08
Total	82,818,684.51	100,844,791.11

(2) Adjustment process of accounting profit and income tax expenses

Item	Amount recognised for the period
Consolidated total profit in the period	253,326,796.91
Income tax expense calculated at statutory/applicable tax rate	63,331,699.23
Influence of application of different tax rates to subsidiaries	
Effects from adjustments of income tax for prior periods	44,200,039.69
Effect of non-taxable revenue	-24,952,570.66
Effects from non-deductible costs, expenses and losses	239,516.25
Effects from deductible losses on unrecognised deferred income tax assets in previous period	
Income tax expenses	82,818,684.51

(All amounts are presented in RMB except otherwise stated)

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

45. 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	170,508,112.40	175,077,175.55
Add: Credit impairment losses	154,963,412.71	278,020,439.58
Other asset impairment losses	2,064,588.45	
Depreciation of fixed assets, depletion of oil and gas assets, depreciation of productive biological assets	4,314,375.65	8,786,651.30
Depreciation of right-of-use assets	12,252,054.91	12,537,380.92
Amortisation of intangible assets	5,871,161.19	3,905,682.77
Amortisation of long-term amortisation expenses	5,595,886.88	5,062,395.04
Loss from disposal of fixed assets, intangible assets and other long-term assets (gain indicated in "-")		-22,753.28
Loss on scrapping of fixed assets (gain indicated in "-")	16,127.97	
Gains or losses from changes in fair value (gain indicated in "-")	-241,813,117.08	-212,071,055.06
Financial cost	22,154,521.52	32,127,770.38
Gain in investment (gain indicated in "-")	-2,115,347.99	-106,290,705.30
Loss from changes in share of net assets attributable to third party investors in consolidated structured entities	-27,318,716.60	-31,763,513.05
Decrease in debt investments	-129,363,637.75	-132,534,030.44
Decrease in financial assets held under resale agreements	148,017,565.35	-142,501,047.58
Decrease in financial assets held for trading	746,244,221.86	-602,862,507.61
Decrease in loans and advances to customers	-53,916,438.11	103,970,000.00
Net investment attributable to third-party investors in consolidated structured entities	-12,882,415.97	-161,425,039.88
Decrease in deferred income tax assets	15,585,171.91	-46,319,348.08
Decrease in operating receivables	-95,752,430.89	-22,396,028.93
Increase in operating payables	-147,472,042.67	-39,794,128.75
Net cash flows from operating activities	576,953,053.74	-878,492,662.42
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	466,229,620.18	134,949,949.65
Less: Opening balance of cash	168,896,884.51	2,240,590,484.12
Add: Closing balance of cash equivalents		
Less: Opening balance of cash equivalents		
Net increase in cash and cash equivalents	297,332,735.67	-2,105,640,534.47

(All amounts are presented in RMB except otherwise stated)

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

45. Items of Cash Flow Statement (Continued)

(2) Cash and cash equivalents

Item	Closing balance of the period	Closing balance of the previous period
Cash	**466,229,620.18**	134,949,949.65
Including: Cash on hand		
Bank deposits readily available for payment	**47,841,468.32**	99,516,518.11
Other monetary assets readily available for payment	**418,388,151.86**	35,433,431.54
Cash equivalents		
Closing balance of cash and cash equivalents	**466,229,620.18**	134,949,949.65

46. Dividend

During the six months ended 30 June 2024, the Company did not pay, declare or recommend to pay any dividends (for the six months ended 30 June 2023: nil), nor has any dividend been proposed since the end of the Reporting Period. The Board of the Company confirmed that no dividend will be paid for the six months ended 30 June 2024.

47. 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	170,508,112.40	175,077,175.55
Weighted average of issued ordinary shares	4,658,850,000.00	4,658,850,000.00
Basic earnings per share	0.04	0.04

(2) Diluted earnings per share

As there is no potential diluted ordinary share during the six-month period ending 30 June 2024, the diluted earnings per share are the same as the basic earnings per share.

VII. CHANGES IN SCOPE OF CONSOLIDATION

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

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 to customers, debt investments, long-term equity investment and financial assets held for trading in the balance sheet.

Item	**Closing quantity/ balance**	Opening quantity/ balance
Number of products included in consolidation (number)	**21**	22
Total size of the structured entities included in the consolidation	**3,462,921,416.10**	3,724,289,515.77
The Company's equity interests in the above-mentioned structured entities are reflected in the total scale of loans and advances to customers, debt investments, long-term equity investment and financial assets held for trading in the balance sheet	**2,715,492,408.91**	2,872,724,273.12

VIII. INTERESTS IN OTHER ENTITIES (Continued)

1. Interests in subsidiaries (Continued)

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

For trust schemes that may not receive all payments from counterparties on the due dates of the trust schemes in accordance with their underlying project contracts (the "troubled trusts"), the Group may use its own funds to provide liquidity support to the trust schemes after assessing the repayment possibilities of the ultimate borrowers or other channels, the relationship with investors and the impact on the Company's reputation. If these troubled trusts meet the criteria for consolidated structured entities, the Group will consolidate these troubled trusts. As of 30 June 2024, the total assets of these consolidated trust schemes were RMB1,846 million (31 December 2023: RMB1,578 million) and the corresponding ECL was RMB344 million (31 December 2023: RMB288 million).

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

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

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 2024, the size of the unconsolidated structured entities in which the Company acted as the trustee of the trust schemes was approximately RMB216.274 billion (31 December 2023: RMB181.828 billion), and the trustee's remuneration receivable from these structured entities by the Company was RMB176 million (31 December 2023: RMB173 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 invested by the Company

As of 30 June 2024, 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.

(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 (Continued)

(3) Unconsolidated structured entities invested by the Company (Continued)

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 2024	Maximum exposure to loss	Total size of structured entities
Unconsolidated structured entities managed and invested by the Company			
– Trading financial assets	298,046,116.40	298,046,116.40	11,462,361,389.51
– Debt investments	3,075,751,284.58	3,075,751,284.58	2,151,976,441.28
Unconsolidated structured entities managed by third parties			
– Mutual funds	368,698,816.05	368,698,816.05	Note
– Asset management schemes	649,045,505.40	649,045,505.40	Note
– Trust Industry Protection Fund	114,337,480.55	114,337,480.55	Note
– Bank wealth management	5,000,000.00	5,000,000.00	Note

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

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

IX. RISKS RELATED TO FINANCIAL INSTRUMENTS (Continued)

1. Credit risk (Continued)

(2) ECL measurement

The 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)④ includes an explanation of how the Group has incorporated this in its ECL models.

– Purchased or originated credit-impaired financial assets are those financial assets that are credit impaired on initial recognition. Their ECL is always measured on a lifetime basis.

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

Stage 1 (initial recognition): 12-month ECL

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

Stage 3 (credit-impaired assets): lifetime ECL

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 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 2024, 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 2023 and 30 June 2024, 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 2024 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	95.35~142.88	96.42~129.67
Real estate climate index	88.84~105.22	89.68~103.49

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 are 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	**2,791,342,796.82**	2,661,284,015.33
ECL provision under base scenario	**2,771,679,747.38**	2,611,759,636.34
ECL provision under upside scenario	**2,855,760,505.32**	2,861,686,420.61
ECL provision under downside scenario	**2,733,097,514.04**	2,490,721,928.58

(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)	581,229,620.18		581,229,620.18
Purchase and resale of financial assets (Stage 1)	247,031,684.15		247,031,684.15
Loans and advances (including interest receivable)	2,407,347,186.58	383,116,427.72	2,024,230,758.86
Stage 1	386,216,339.91	18,201,835.31	368,014,504.60
Stage 2			
Stage 3	2,021,130,846.67	364,914,592.41	1,656,216,254.26
Debt investments (including interest receivable)	7,113,734,860.89	2,439,819,222.41	4,673,915,638.48
Stage 1	900,000,000.00	48,439,693.18	851,560,306.82
Stage 2	61,964,086.60	6,151,244.95	55,812,841.65
Stage 3	6,151,770,774.29	2,385,228,284.28	3,766,542,490.01
Other financial assets – measured at amortised cost	431,971,058.64	58,413,427.29	373,557,631.35
Stage 1	184,402,705.45	7,700,521.13	176,702,184.32
Stage 2	168,175,401.34	18,044,342.12	150,131,059.22
Stage 3	79,392,951.85	32,668,564.04	46,724,387.81
Total	10,781,314,410.44	2,881,349,077.42	7,899,965,333.02

(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)	283,896,884.51		283,896,884.51
Purchase and resale of financial assets (Stage 1)	395,049,249.50		395,049,249.50
Loans and advances (including interest receivable)	2,554,077,852.93	352,552,639.16	2,201,525,213.77
Stage 1	729,076,920.75	41,800,273.44	687,276,647.31
Stage 2	1,076,410,402.37	129,832,315.97	946,578,086.40
Stage 3	748,590,529.81	180,920,049.75	567,670,480.06
Debt investments (including interest receivable)	6,830,936,996.85	2,323,680,392.77	4,507,256,604.08
Stage 1	1,013,724,984.01	50,245,268.52	963,479,715.49
Stage 2	239,556,823.39	28,617,903.53	210,938,919.86
Stage 3	5,577,655,189.45	2,244,817,220.72	3,332,837,968.73
Other financial assets – measured at amortised cost	391,445,932.54	50,152,632.78	341,293,299.76
Stage 1	218,136,913.67	9,956,931.67	208,179,982.00
Stage 2	146,266,476.86	15,434,717.37	130,831,759.49
Stage 3	27,042,542.01	24,760,983.74	2,281,558.27
Total	10,455,406,916.33	2,726,385,664.71	7,729,021,251.62

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	**1,934,198,821.96**	748,030,000.00
Less: ECL	**335,947,144.35**	180,856,030.54
Net loans and advances	**1,598,251,677.61**	567,173,969.46
Collateral value	**2,523,883,411.86**	897,257,991.26

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	**6,053,491,747.70**	5,489,168,794.02
Less: ECL	**2,295,198,447.77**	2,157,837,709.40
Net debt investments	**3,758,293,299.93**	3,331,331,084.62
Collateral value	**5,075,147,540.93**	4,063,111,102.29

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 summarises 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.

	Closing		Opening	
Name of investors	Fair value	% of net asset	Fair value	% of net asset
Financial assets at FVTPL	**3,946,705,403.36**	**35.06**	4,506,454,958.18	40.64
Enterprises invested by consolidated structured entities at fair value	**321,055,442.14**	**2.85**	322,478,427.00	2.91

(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 enterprises invested by consolidated structured entities 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%	32,008,206.34	39,267,954.92
Decrease 1%	-32,008,206.34	-39,267,954.92

Shareholders' equity	**Closing balance**	Opening balance
Increase 1%	**32,008,206.34**	36,217,000.39
Decrease 1%	**-32,008,206.34**	-36,217,000.39

(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 2024, the main interest-bearing assets held by the Group include monetary fund, loans and advances, debt investments and financial assets purchased under resale agreements which accounts 54.94% of total assets of the Group (31 December 2023: 52.14%). The majority of monetary fund, loans and advances 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 2024, the Company's main interest-bearing liability includes borrowing from China Trust Protection Fund Co., Ltd. of RMB551 million, which amounted to 22.55% of total liabilities of the Group (31 December 2023: RMB975 million, which amounted to 31.65% 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 2024, 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 2024, the Group has a short-term borrowing from China Trust Protection Fund Co., Ltd. amounting to RMB551 million (31 December 2023: RMB975 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 Group's capital management is net capital and risk-based capital. The objective of capital management is to meet external regulatory requirements, ensure the Group operates as a going concern, provide shareholders' returns and benefits other stakeholders, while maintaining an optimal capital structure to reduce capital costs.

The Group 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 Group 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 CBRC on a quarterly basis. Total risk-based capital is defined as the sum of 1) risk-based capital of our proprietary business; 2) risk-based capital of our trust business, and 3) risk-based capital of our other business, if any. The risk-based capital is calculated by applying a risk factor which ranges from 0% to 50% for proprietary business, and 0.1% to 9.0% for trust business.

(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 2024 and 31 December 2023, their fair value approximate carrying amounts.

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

Item	Closing 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	740,688,048.11	1,235,183,803.77	1,970,833,551.48	3,946,705,403.36
1. Financial assets at FVTPL	740,688,048.11	1,235,183,803.77	1,970,833,551.48	3,946,705,403.36
(1) Equity investments	371,989,232.06	1,216,098,424.74		1,588,087,656.80
(2) Equity investments of unlisted companies			909,404,449.13	909,404,449.13
(3) Bonds investments		14,085,379.03		14,085,379.03
(4) Investments in assets management plans			649,045,505.40	649,045,505.40
(5) Investments in mutual funds	368,698,816.05			368,698,816.05
(6) Investments in trust schemes of equity products			298,046,116.40	298,046,116.40
(7) Investments in trust industry protection fund			114,337,480.55	114,337,480.55
(8) Bank wealth management		5,000,000.00		5,000,000.00
(ii) Long term equity investment – enterprises invested by consolidated structured entities			321,055,442.14	321,055,442.14
Total assets with continuous fair value measurement	740,688,048.11	1,235,183,803.77	2,291,888,993.62	4,267,760,845.50

(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	1,156,251,400.64	1,120,176,478.38	2,230,027,079.16	4,506,454,958.18
1.	Financial assets at FVTPL	1,156,251,400.64	1,120,176,478.38	2,230,027,079.16	4,506,454,958.18
(1)	Equity investments	372,932,106.32	1,108,548,394.12		1,481,480,500.44
(2)	Equity investments of unlisted companies			661,871,769.23	661,871,769.23
(3)	Bonds investments		11,628,084.26		11,628,084.26
(4)	Investments in assets management plans			937,216,509.01	937,216,509.01
(5)	Investments in mutual funds	783,319,294.32			783,319,294.32
(6)	Investments in trust schemes of equity products			518,630,798.74	518,630,798.74
(7)	Investments in trust industry protection fund			112,308,002.18	112,308,002.18
(ii)	Long term equity investment – enterprises invested by consolidated structured entities			322,478,427.00	322,478,427.00
Total assets with continuous fair value measurement		1,156,251,400.64	1,120,176,478.38	2,552,505,506.16	4,828,933,385.18

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	Total
1 January 2024	2,230,027,079.16	322,478,427.00	2,552,505,506.16
Purchase/transfer	206,318,181.00		206,318,181.00
Sale/transfer	573,360,989.85		573,360,989.85
Changes of gain or loss through profit or loss for the period	107,849,281.17	-1,422,984.86	106,426,296.31
30 June 2024	1,970,833,551.48	321,055,442.14	2,291,888,993.62
Assets held as at 30 June 2024 included in unrealised gain or loss of gains from change in fair value through profit or loss for the period	108,334,544.56		108,334,544.56

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

(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 on 30 June 2024	Valuation technique	Unobservable input	Range
Financial assets at FVTPL – Equity investments in unlisted companies	**270,094,663.69**	Comparable company method	Price-to-book Ratio (PB ratio)	1.87
			Lack of liquidity discount	0%
– Investment in trust schemes	**33,116,273.63**	Discounted cash flow method	Discount rate	7%~13%
Long-term equity investments – Enterprises invested by consolidated structured entities	**321,055,442.14**	Discounted cash flow method	Discount rate	12%~13%

Note 1: PB ratio represents the amounts used by the Group when determining that market participants would use the multiples to price such investments.

Note 2: Lack of liquidity discount represents the amounts used by the Group when determining that market participants would price such investments taking into account such discounts.

As of 30 June 2024, remaining fair value classified as Level 3 investments amounted to RMB1,667,622,614.16, which was 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 (RMB10,000)	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	3,600,000.00	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 2023: 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.	36,000,000,000.00			**36,000,000,000.00**

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

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

Note: Among which, the shareholding of Shandong Lucion Investment Holdings Group Co., Ltd. indirectly holds through its subsidiary Shandong High-tech Investment Corporation amounted to RMB225,000,000.00 (31 December 2023: RMB225,000,000.00).

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
First-Trust Fund Management Co., Ltd.	Other enterprises affected 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

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	Closing balance	Opening balance
Number of trust schemes controlled by the Group (Note VIII.1.(2))	21	22
Number of trust schemes controlled by Lucion Group (Except for the Group)	18	17

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	Closing balance	Opening balance
Trust schemes controlled by Lucion Group	8,054,666,046.20	7,975,582,864.67

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

Item	Amount recognised for the period	Amount recognised in the previous period
Trust remuneration	2,249,994.35	3,034,116.39

(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 2024, 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 to June 2023: same).

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

Related parties' interests in these consolidated trust schemes are reported as other liabilities in the Group's consolidated balance sheet:

Item	Closing balance	Opening balance
Related parties as trustors of trust schemes	1	1
Interests entitled to related party	-5,464,317.98	-5,139,702.12

The trust income received by the related parties from the trust schemes included in the scope of consolidated financial statement is presented as the interest expenditure or gains from changes in net assets attributable to third-party investors in consolidated structured entities in the consolidated income statement:

Item	Amount recognised for the period	Amount recognised in the previous period
Interest expenses	-324,583.40	
Gains from changes in net assets attributable to third-party investors in consolidated structured entities		

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

Item	Closing balance	Opening balance
Related parties as trustors of trust schemes	19	18
Interests entitled to related party	8,003,990,715.95	7,970,975,269.73
Total size of these trust schemes	8,727,473,945.28	8,044,582,864.67

The trust remuneration contributed by these trust schemes are presented as the fee and commission income in the consolidated income statement:

Item	Amount recognised for the period	Amount recognised in the previous period
Fee and commission income	2,321,275.93	6,732,578.02

(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	Closing balance	Opening balance
Number of trust schemes with related parties as counterparty	3	4
Amount financed by related parties	640,000,000.00	455,600,000.00
Total size of these trust schemes	947,600,000.00	455,600,000.00

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

Item	Amount recognised for the period	Amount recognised in the previous period
Fee and commission income		3,660,318.16

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

Item	Closing balance	Opening balance
Number of trust schemes with related parties as counterparty	5	4
Amount financed by related parties	272,519,060.00	203,416,097.00
Total size of these trust schemes	351,642,276.62	203,416,097.00

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

Item	Amount recognised for the period	Amount recognised in the previous period
Interest income	1,283,986.35	7,437,164.89

XII. RELATED PARTIES AND 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	Amount recognised for the period	Amount recognised in the previous period
Remuneration of key management	3,990,712.48	4,648,339.99

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

Item	Closing balance	Opening balance
Investment amount	420,928.00	421,919.00
Total size of these trust schemes	12,146,033.00	12,145,736.00

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

Item	Amount recognised for the period	Amount recognised in the previous period
Fee and commission income	56,588.27	56,277.00

(All amounts are presented in RMB except otherwise stated)

XII. RELATED PARTIES AND 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	2,051,886.79
Jinan Luxin Asset Management Co., Ltd.	Welfare fee	956,209.12	733,034.66
	Rental fee	9,725,035.41	10,146,139.46
	Utility fee	354,206.51	
	Conference fee	14,622.64	
Shandong Lucion Investment Holdings Group Co., Ltd.	Guarantee fee	2,105,986.30	2,321,342.43
	Equity transfer		675,177,700.00
Shandong Financial Asset Management Co., Ltd.	Advances for litigation cost, property insurance premium and legal service fee	1,070,400.00	15,503,905.00
Total		16,278,346.77	705,934,008.34

(III) Related parties' balances

1. Receivables

Item	Related parties	Closing balance		Opening balance	
		Book balance	Provision for bad debt	Book balance	Provision for bad debt
Other receivables	Shandong Financial Asset Management Co., Ltd.	106,974,305.00	11,386,626.46	105,503,905.00	11,310,018.62
Prepayment	Shandong Lucion Investment Holdings Group Co., Ltd.	181,061.65		2,287,047.95	
Prepayment	Jinan Luxin Asset Management Co., Ltd.	441,781.68		472,226.48	
Prepayment	Lucion Science and Technology Co., Ltd.	242,500.00		242,500.00	

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.	952,959.99	9,687,169.71
Other payables	First-Trust Fund Management Co., Ltd.		5,675.57

XIII. CONTINGENCY

As of 30 June 2024, the Group has no contingencies need to be disclosed.

XIV. COMMITMENTS

As of 30 June 2024, the Group had no major commitments.

XV. POST BALANCE SHEET EVENTS

As of the date of approval of the financial report, the Group has no major 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 2024 and 30 June 2024 is set out below:

Item	Amount recognised for January to June 2024 Proprietary business	Trust business	Unallocated	Total
Fee and net commission income		270,763,144.72		270,763,144.72
Net interest income	-4,653,314.37	102,586.98		-4,550,727.39
Fair value gains	241,813,117.08			241,813,117.08
Gains on changes in net assets attributable to third-party investors	27,318,716.60			27,318,716.60
Investment income	42,144,364.27			42,144,364.27
Other business income	10,389,090.69			10,389,090.69
Gain on disposal of assets	-125,872.65			-125,872.65
Exchange gain	0.07			0.07
Total operating income	**316,886,101.69**	**270,865,731.70**		**587,751,833.39**
Tax and surcharges	754,078.15	2,199,502.15		2,953,580.30
Business and administrative expenses	8,305,822.98	124,505,885.92		132,811,708.90
Credit impairment losses	154,963,412.71			154,963,412.71
Other assets impairment losses	2,064,588.45			2,064,588.45
Other business costs	2,389.43	2,984,401.77		2,986,791.20
Total operating expense	**166,090,291.72**	**129,689,789.84**		**295,780,081.56**
Non-operating income	462,212.97			462,212.97
Non-operating expense	31,285.73	39,075,882.16		39,107,167.89
Gross profit	**151,226,737.21**	**102,100,059.70**		**253,326,796.91**

Item	Balance as at 30 June 2024 Proprietary business	Trust business	Unallocated	Total
Total assets	12,916,350,948.15	757,702,366.46	25,763,333.40	13,699,816,648.01
Total liabilities	2,163,033,165.26	263,530,139.80	16,106,515.04	2,442,669,820.10

(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 2023 and 30 June 2023 is set out below:

	Amount recognised for January to June 2023			
Item	Proprietary business	Trust business	Unallocated	Total
Fee and net commission income		418,611,671.63		418,611,671.63
Net interest income	34,907,283.60	106,741.65		35,014,025.25
Fair value gains	212,071,055.06			212,071,055.06
Gains 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 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**

	Balance as at 30 June 2023			
Item	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)

XVII. NOTES TO MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF PARENT

1. Loans and advances

(1) Information on loans and advances

Item	Closing balance Book balance	Loss allowance	Book value
Principal	168,696,572.65	6,277,305.89	162,419,266.76
Interest receivables	11,282,967.59	334,366.63	10,948,600.96
Total	179,979,540.24	6,611,672.52	173,367,867.72

Item	Opening balance Book balance	Loss allowance	Book value
Principal	115,000,000.00	6,475,578.08	108,524,421.92
Interest receivables	7,526,111.11	423,720.06	7,102,391.05
Total	122,526,111.11	6,899,298.14	115,626,812.97

Changes of impairment reserves for loans and advances in the period

Item	Opening balance	Increase in the period	Decrease in the period	Closing balance
Principal	6,475,578.08	-198,272.19		6,277,305.89
Interest receivables	423,720.06	-89,353.43		334,366.63
Total	6,899,298.14	-287,625.62		6,611,672.52

(All amounts are presented in RMB except otherwise stated)

XVII. NOTES TO MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF PARENT (Continued)

1. Loans and advances (Continued)

(2) Accrual of impairment reserves for loans and advances

Provision for bad debts	Stage 1 Expected credit losses for the next 12 months	Stage 2 Expected credit loss for the entire duration (no credit impairment)	Stage 3 Expected credit loss for the entire duration (credit impairment has occurred)	Total
Balance as at 1 January 2024	6,899,298.14			6,899,298.14
Balance as at 1 January 2024 in the period	—	—	—	—
– Transfer to stage 2				
– Transfer to stage 3				
– Reverse to stage 2				
– Reverse to stage 1				
Accrual in the period	-287,625.62			-287,625.62
Reversal in the period				
Cancellation in the period				
Charge off in the period				
Other changes				
Balance as at 30 June 2024	6,611,672.52			6,611,672.52

(3) No loans and advances were actually written off in the period

2. Financial assets held for trading

Item	Closing balance	Opening balance
Financial assets at FVTPL	3,915,963,227.76	4,475,199,213.84
Including: Stock investments	1,588,087,656.80	1,481,480,500.44
Public fund investments	368,698,816.05	783,319,294.32
Investments in asset management plans	649,045,505.40	937,216,509.01
Bonds investment	14,085,379.03	11,599,782.00
Unlisted company equity investments	879,037,273.53	631,504,593.63
Trust Industry Protection Fund	113,962,480.55	111,447,735.70
Investment trust schemes	298,046,116.40	518,630,798.74
Bank wealth management	5,000,000.00	
Total	3,915,963,227.76	4,475,199,213.84

(All amounts are presented in RMB except otherwise stated)

XVII. NOTES TO MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF PARENT (Continued)

3. Debt investments

(1) Details of debt investments

Item	Closing balance Book balance	Loss allowance	Book value
Principal	6,197,187,554.16	2,389,124,314.74	3,808,063,239.42
Interest receivables	16,547,306.73	2,255,214.49	14,292,092.24
Total	6,213,734,860.89	2,391,379,529.23	3,822,355,331.66

Item	Opening balance Book balance	Loss allowance	Book value
Principal	5,913,114,600.48	2,275,784,603.20	3,637,329,997.28
Interest receivables	17,822,396.37	1,695,137.34	16,127,259.03
Total	5,930,936,996.85	2,277,479,740.54	3,653,457,256.31

Changes in impairment reserves of debt investment in the period

Item	Opening balance	Increase in the period	Decrease in the period	Closing balance
Principal	2,275,784,603.20	132,269,512.15	18,929,800.61	2,389,124,314.74
Interest receivables	1,695,137.34	596,468.28	36,391.13	2,255,214.49
Total	2,277,479,740.54	132,865,980.43	18,966,191.74	2,391,379,529.23

(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) Accrual of impairment reserve for debt investment

Provision for bad debts	Stage 1 Expected credit losses for the next 12 months	Stage 2 Expected credit loss for the entire duration (no credit impairment)	Stage 3 Expected credit loss for the entire duration (credit impairment has occurred)	Total
Balance as at 1 January 2024	4,044,616.29	27,111,019.42	2,246,324,104.83	2,277,479,740.54
Balance as at 1 January 2024 in the period	–	–	–	-
– Transfer to stage 2				
– Transfer to stage 3	-2,973,546.84	-21,144,888.47	24,118,435.31	
– Reverse to stage 2				
– Reverse to stage 1				
Accrual in the period	-1,071,069.45	185,114.00	94,251,972.05	93,366,016.60
Reversal in the period				
Cancellation in the period				
Charge off in the period				
Other changes			20,533,772.09	20,533,772.09
Balance as at 30 June 2024		6,151,244.95	2,385,228,284.28	2,391,379,529.23

4. Long term equity investments

Item	Closing balance	Opening balance
Associates accounted for using the equity method	**390,493,415.90**	521,590,675.22
Structured entities invested – original amount	**2,715,492,408.91**	2,872,724,273.12
Less: Impairment provision for structured entities invested	**273,099,366.19**	239,337,096.58
Structured entities invested – net amount	**2,442,393,042.72**	2,633,387,176.54
Total	**2,832,886,458.62**	3,154,977,851.76

(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: 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	Closing balance (carrying amount)	Closing balance of impairment provision
Dezhou Bank Co., Ltd. (德州銀行股份有限公司)	130,250,054.17			1,936,524.19	1,316,857.79				-133,503,436.15		
Sinotruk Auto Finance Co., Ltd. (重汽汽車金融有限公司)	225,155,089.98			670,244.70	-22,093.40					225,803,241.28	
Taishan Property & Casualty Insurance Co., Ltd. (泰山財產保險股份有限公司)	162,277,280.10			-184,681.53	-1,003,935.55					161,088,663.02	
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)	3,908,250.97			-306,739.37						3,601,511.60	
Total	521,590,675.22			2,115,347.99	290,828.84				-133,503,436.15	390,493,415.90	

(2) *Investments in structured entities:*

Item	Opening balance	Additional investment	Decrease in investment	Cancellation in the period	Impairment provision	Closing balance
Structured entities invested	2,633,387,176.54	185,990,726.43	322,688,818.55		54,296,041.70	2,442,393,042.72

(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	11,568,563.74	24,637,958.14
Including: Balance of cash and bank deposits	638,019.67	1,026,438.27
Loans and advances to customers	3,034,125.69	3,584,805.56
Debt investments	5,687,082.20	9,975,832.03
Financial assets purchased under resale agreements	2,141,117.56	9,946,779.07
Other	68,218.62	104,103.21
Interest expenses	23,226,970.41	29,987,603.49
Including: Short-term borrowings	22,154,521.52	28,181,802.74
Other	1,072,448.89	1,805,800.75
Net interest income	-11,658,406.67	-5,349,645.35

6. Net fee and commission income

Item	Amount recognised for the period	Amount recognised in the previous period
Fee and commission income	276,017,681.29	431,899,111.53
Including: Trustee's remuneration	249,900,117.37	405,583,397.56
Other	26,117,563.92	26,315,713.97
Fee and commission expense	1,872,155.13	2,617,054.18
Including: Guarantee fee	1,830,750.45	2,321,342.43
Other	41,404.68	295,711.75
Net fee and commission income	274,145,526.16	429,282,057.35

(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
Income from long-term equity investments accounted for using equity method	2,115,347.99	10,152,591.24
Investment income from holding financial assets	49,858,242.98	136,541,986.33
Investment income from disposal of long-term equity investments	6,818,678.42	12,225,000.00
Investment income from disposal of loans and other debt investments	47,568.49	-800,000.00
Total	58,839,837.88	158,119,577.57

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	243,236,105.03	210,386,184.21
Total	243,236,105.03	210,386,184.21

Shandong International Trust Co., Ltd.
28 August 2024

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)
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Audit Committee"	the audit committee under the Board of Directors
"Board" or "Board of Directors"	the board of Directors of the Company
"Board of Supervisors"	the board of Supervisors of the Company
"CASBE"	China Accounting Standards for Business Enterprises
"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
"former CBRC" or "former 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 NFRA since May 2023 (as the context requires)

"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
"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)
"NFRA"	the National Financial Regulatory Administration (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 2024 to 30 June 2024
"RMB" or "Renminbi"	the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented from time to time or otherwise revised

"Shandong Financial Regulatory Administration"	Shandong office of the National Financial Regulatory Administration
"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 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, and 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 interim 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 NFRA while the risk deductions are determined by the NFRA
"Net Capital Measures"	the Administrative Measures on Net Capital of Trust Companies《信託公司淨資本管理辦法》promulgated by the CBRC in August 2010
"R&D"	research and development
"risk-based capital"	a financial measure provided by the Net Capital Measures which is calculated by applying a risk factor to our proprietary assets or trust assets used in the relevant business
"Trust Industry Protection Fund"	Trust Industry Protection Fund (信託業保障基金), a market-oriented risk mitigation system which was established to protect the legitimate interests of the trustees, effectively prevent the risk of the trust industry and facilitate the sound development of the trust industry
"Trust Protection Fund Company"	China Trust Protection Fund Co., Ltd. (中國信託業保障基金有限責任公司), a banking financial institution established with the consent of the State Council of the PRC and approved by the national financial regulatory authorities, directly supervised by the NFRA

LUCION

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

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