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LUCION

Shandong International Trust Co., Ltd.

山東省國際信託股份有限公司

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

(Stock Code: 1697)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2024

The board of directors (the “**Board**” or “**Board of Directors**”) of Shandong International Trust Co., Ltd. (the “**Company**” or the “**SITC**”) is pleased to announce the audited consolidated annual results of the Company for the year ended 31 December 2024 (the “**Reporting Period**”). The content of this annual results announcement has been prepared in accordance with applicable disclosure requirements under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) in relation to preliminary announcements of annual results and the PRC Accounting Standards for Business Enterprises (“**CASBE**”). Such annual results have also been reviewed and confirmed by the Board and the audit committee of the Board (the “**Audit Committee**”). Unless otherwise stated, financial data of the Company are presented in Renminbi.

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

1. BASIC CORPORATE INFORMATION

1.1 Basic Information

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

1.2 Contact Person and Contact Details

Secretary to the Board	He Chuangye (賀創業)
Company Secretary	He Chuangye (賀創業)
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 Shandong Province, the 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

2. SUMMARY OF FINANCIAL DATA

2.1 Summary of Consolidated Income Statement

Item	Note	Year ended 31 December	
		2024	2023
		<i>(RMB in thousands)</i>	
I. Total operating income		904,977	1,190,457
Net Interest Income	12	-56,270	100,235
Including: Interest income	12	-3,639	192,203
Interest expense	12	52,631	91,968
Net fee and commission income	13	455,105	766,122
Including: Fee and commission income	13	459,426	771,125
Fee and commission expenses	13	4,321	5,003
Investment income	14	67,155	72,373
Including: Income from investment in associates and joint ventures		8,073	10,193
Gains from changes in fair value	15	414,594	212,740
Gains from changes in net assets attributable to third-party investors in consolidated structured entities		5,906	26,263
Other operating income		18,612	12,677
Gains on disposal of assets		-125	47
II. Total operating costs		610,809	781,110
III. Operating profit		294,168	409,347
Add: Non-operating income		470	2,935
Less: Non-operating expenses	19	81,044	122,132
IV. Total profit		213,594	290,150
Less: Income tax expenses	20	70,799	131,517
V. Net profit		142,795	158,633
VI Total comprehensive income		147,348	155,110
Total comprehensive income attributable to shareholders of the parent company		147,348	155,110

Note: In this results announcement, losses are indicated in “-” unless otherwise stated.

2.2 Summary of Consolidated Balance Sheet

Item	31 December	
	2024	2023
	<i>(RMB in thousands)</i>	
Total assets	14,279,338	14,168,884
Total liabilities	3,042,612	3,079,506
Total shareholders' equity	11,236,726	11,089,378
Total liabilities and shareholders' equity	14,279,338	14,168,884

2.3 Summary of Consolidated Statement of Cash Flows

Item	Year ended 31 December	
	2024	2023
	<i>(RMB in thousands)</i>	
Net cash flows from operating activities	152,383	-1,329,022
Net cash flows from investing activities	217,885	375,434
Net cash flows from financing activities	-62,497	-1,118,105
Net increase in cash and cash equivalents	307,771	-2,071,693
Add: Balance of cash and cash equivalents at the beginning of the period	168,897	2,240,590
Balance of cash and cash equivalents at the end of the period	476,668	168,897

3. MANAGEMENT DISCUSSION AND ANALYSIS

3.1 Environment Review

In 2024, the global economy was characterised by insufficient momentum and unbalanced growth in its slow recovery, with obvious differentiation among regions and countries. Despite the complex and severe external environment, China's economy made steady progress, demonstrating strong resilience and huge development potential. The GDP exceeded RMB130 trillion for the first time, representing a year-on-year growth of 5.0%, higher than the average growth rate of 3.2% globally, and its contribution to global economic growth was approximately 30%. The Chinese government implemented more proactive macro policies to expand domestic demand in all aspects, stabilise the property and stock markets, and prevent and resolve risks in key areas and external shocks.

The Third Plenary Session of the 20th Central Committee of the Communist Party of China emphasised the core position of finance in the modernisation of China, and proposed to unswervingly follow the path of financial development with Chinese characteristics, clarifying the direction and injecting impetus into accelerating the construction of a financial power. Under the guidance of a series of policies, China's financial industry comprehensively deepened the reform of financial system, and fully improved the effectiveness of financial service for the real economy by optimising the financial system, promoting financial innovation and expanding financial openness. Focusing on the "five major areas", the financial industry continued to work hard to promote the deep integration of finance and technology, support technological innovation, green development and inclusiveness of people's livelihood, and provide a strong impetus for the high-quality development of China's economy.

In 2024, the Interim Measures for the Supervision Rating and Classified Supervision of Trust Companies was officially implemented, establishing a multi-dimensional regulatory rating system covering corporate governance, capital requirements, risk management and other aspects to promote differentiated development of the industry. The balance of trust assets managed by the trust industry exceeded RMB27 trillion for the first time. After a year of implementation of the new "three categories" regulations for the trust business, the scale of asset service trusts has grown rapidly. Trust companies continue to innovate service models to meet diversified needs of the market, playing an important role in supporting the real economy and serving residents with wealth management.

3.2 Business Overview

In 2024, in the face of the complex and severe external environment, with the correct guidance of the regulatory authorities, the strong support of shareholders, customers, and partners, and the unremitting efforts of all employees, SITC adhered to the direction of its origin and business transformation, and maintained its determination to reform systems and mechanisms, effectively strengthening its foundation, adjusting its structure, and resolving risks. Overall, SITC maintained a stable development with a steady and positive development trend.

Firstly, the Company firmly returned to its origin of trust and transformed its businesses to reach new highs. The Company “increased the layout” of capital market business, continued to deepen cooperation with channels, accelerated the cultivation of active management capabilities, and increased the scale of active management business. As at the end of 2024, the size of the trust assets of the Company’s standardised businesses reached RMB108.512 billion, representing a net increase of RMB34.163 billion or 46% from the beginning of the year. It was awarded the Golden Bull Award for Fixed Income Products, an authoritative award in the trust industry, for the third consecutive year. The dominant position of family trusts has been continuously strengthened. The Company actively developed new tracks in family service trusts and premium trusts. As at the end of 2024, the existing size of family trusts, family service trusts and premium trusts of the Company totalled RMB51.918 billion, representing a year-on-year increase of 34%. It received the Gold Honour Award – Outstanding Family Office and other authoritative awards in the industry. The Company also vigorously explored the development path of “trust + charity” and developed many first-of-its-kind businesses such as Shandong Province’s first “double-trustee charitable trust”, the industry’s leading “charitable trust with a foreign trustee” and “charitable trust with a DAF model of listed company”. The cumulative delivery amount of charitable trusts exceeded RMB162 million, and 21 new contracts were signed during the year, representing a year-on-year increase of 19.1%.

Secondly, the Company persisted in serving the real economy and fully implemented its original mission of “gathering capital to develop Shandong”. Based on local practice in Shandong, the Company built an open research platform to promote the incubation of innovative products through research. The project results once again won the first prize for key topics of banking financial institutions in Shandong Province, and the Company was rated as the “Advanced Collective of Shandong Money Society” for the fourth consecutive year. The first equity transaction fund supervision and guarantee service trust, the first data technology intellectual property service trust, and the first bankruptcy reorganisation service trust were all successfully completed. As at the end of 2024, the existing trust invested by the Company in Shandong Province reached RMB38.238 billion, representing a net increase of RMB8.721 billion from the beginning of the year. The existing scale of “attracting capital to invest in Shandong” was RMB24.254 billion, and the existing green trust amounted to RMB5.24 billion, representing an increase of 85.1% from the beginning of the year.

Thirdly, the Company continued to improve its risk control system to practise the financial culture with Chinese characteristics. The Company comprehensively sorted out its institutional systems, rectified loopholes in its internal control management, and formulated and revised its systems for more than 120 items. A risk case analysis manual was also compiled to deeply analyse risk causes and management deficiencies, making compliance and risk awareness more deeply rooted in the hearts of the people. Comprehensive use of various asset recovery methods such as judicial litigation, transfer of creditor’s rights, revitalisation and redeployment, and debt repayment with properties continued to effectively promote resolution of non-performing projects. Focusing on cultivating and practising the financial culture with Chinese characteristics, the Company organised theme speech activities and essay competitions to highlight the essence of trust culture, so that cadres and employees would consciously follow the code of conduct of “honesty and trustworthiness, profit-making with righteousness, stability and prudence, adherence to integrity and innovation, and compliance with the laws and regulations”.

Fourthly, the Company constantly optimised its management mechanism to promote steady and long-term development. The Company improved the list of party building and business integration, and transformed “problems and difficulties” encountered in the process of reform and development into “major topics” resolved through party building. The Company also laid a solid foundation for corporate governance by completing the change of term of the Board of Directors and the Board of Supervisors. Making use of the opportunity of the implementation of the new Company Law, the Company amended and improved its corporate governance systems such as the articles of association of the Company (the “**Articles of Associations**”) and the rules of procedure of the “three meetings”. 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. Promoting the construction of digital capabilities, the Company completed the optimisation and development of several important systems during the year, including the family trust system (FTS), wealth management system CRM/APP, anti-money laundering system, and data reporting system, strengthening cyber and system security.

In 2024, the Group achieved total operating income with an amount of RMB905.0 million, representing a year-on-year decrease of 24.0%; total profit with an amount of RMB213.6 million, representing a year-on-year decrease of 26.4%; and net profit with an amount of RMB142.8 million, representing a year-on-year decrease of 10%, mainly due to (i) a year-on-year decrease in net fee and commission income; (ii) a year-on-year decrease in net interest income; partially offset by (iii) a year-on-year increase in gains from changes in fair value; and (iv) a year-on-year decrease in credit impairment losses during the Reporting Period.

The Group's business segments can be divided into (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 year ended 31 December			
	2024		2023	
	Amount	%	Amount	%
	<i>(RMB in thousands, except for %)</i>			
Trust business				
Operating income	466,473	51.5%	766,750	64.2%
Segment income	466,473	51.5%	766,750	64.2%
Proprietary business				
Operating income	438,505	48.4%	423,707	35.5%
Non-operating income	470	0.1%	2,935	0.3%
Segment income	438,975	48.5%	426,642	35.8%
Total	<u>905,448</u>	<u>100.0%</u>	<u>1,193,392</u>	<u>100.0%</u>

In 2024, the income from the trust business and proprietary business of the Company accounted for 51.5% and 48.5% of the total revenue of the Company, respectively.

3.2.1 Trust Business

Classification of Trusts

With the flexible trust arrangements under laws of the PRC, advantages of mixed operations under the Company's trust license and strong active management capabilities, the Company has been continuously developing trust products with new structures and new investment channels in order to capture market opportunities emerging at any 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. 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 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 assets under management of each type of our trusts as at the dates indicated:

	31 December			
	2024		2023	
	Number	AUM	Number	AUM
	<i>(AUM: RMB in millions)</i>			
Financing trusts	227	39,276	238	43,845
Investment trusts	1,838	126,961	1,652	84,725
Administrative management trusts	847	47,586	351	56,982
Total	<u>2,912</u>	<u>213,823</u>	<u>2,241</u>	<u>185,552</u>

Note:

The "assets under management" as disclosed in the above table do not include the size of the premium trusts (in terms of basic insurance amount) managed by the Company as at the corresponding dates, being RMB26,350 million (31 December 2024) and RMB15,869 million (31 December 2023). As at 31 December 2024 and 31 December 2023, the assets under management of the Company (including premium trusts) amounted to RMB240,173 million and RMB201,421 million, respectively.

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

	For the year ended 31 December			
	2024		2023	
	Revenue	%	Revenue	%
	<i>(Revenue: RMB in millions)</i>			
Financing trusts	208	45.3	485	62.9
Investment trusts	154	33.6	168	21.8
Administrative management trusts	97	21.1	118	15.3
Total	459	100.0	771	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

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 legal relationships and are tailored by the trust company to meet the needs of trustors.

Family Trusts, Family Service Trusts, and Premium Trusts

Family trust refers to the trust business in which the trust company accepts the entrustment of a single natural person or a single natural person and his 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 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 plans, 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. A premium trust is established by a trust company on behalf of a single natural person, or on behalf of a single natural person and his family, with the 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 on for more than ten 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, premium 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, improve customer service ability, and construct a service ecosystem. At present, the Company has established strategic cooperation 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 and launched the new family trust comprehensive management platform system, 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 31 December 2024, the Company had established approximately 4,800 family trusts, family service trusts and premium trusts, with an existing scale of approximately RMB52 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 31 December 2024, the number of other individual wealth management trusts managed by the Company was 55, amounting to approximately RMB1,926 million.

Wealth management trusts for legal entities and unincorporated organisations cover the type of business in which a trust company is entrusted by a single legal entity or unincorporated organisation to provide trust services such as comprehensive financial planning, specific asset management and remuneration and benefit management. As at 31 December 2024, the number of wealth management trusts for legal entities and unincorporated organisations managed by the Company was 117, amounting to approximately RMB17.675 billion.

Asset Product Service Trusts

Entrusted by the asset management product managers, trust companies provide administrative 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 31 December 2024, the asset management product service trust that was entrusted to be under the management of SITC amounted to RMB0.33 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 31 December 2024, the number of the Company's existing asset-backed securities projects was five, totalling RMB8.665 billion, involving ABNs, CMBSs, CMBNs, 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 continuously 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 31 December 2024, the Company's investment trust business in existing securities amounted to RMB101.868 billion, and the Company's capital market trust business amounted to RMB115.510 billion in total. With the implementation of a series of capital market deepening reform measures, 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 legally owned funds to the trust company based on his trust in the trust company, and the trust company invests the funds in real estate enterprises or real estate projects and carries out management, application and disposal in his own name according to the wishes of the trustor.

The models of real estate trust business mainly include loan financing, equity investment and innovative business models, such as real estate investment trusts (REITs). The Company selects national enterprises with high industry ranking and high credit rating and high-quality enterprises deeply developed in the region as its counterparties, and provides financial support for residential real estate and non-residential real estate (such as commercial real estate, logistics real estate, etc.) mainly through debt financing and equity investment. 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 enterprises according to the wishes of the trustor to manage, apply and dispose of the trust property. Industrial and commercial enterprises trust can solve the capital needs of enterprises in the process of operation, such as liquidity capital needs, M&A capital needs, etc. Industrial and commercial enterprises trust is an important business for trust companies to comply with the guidance of national policies and guide social funds to invest in the real economy. It can meet the capital needs of enterprises through equity, creditor's rights, stock debt linkage, industrial funds and other ways. 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 People's Republic of China. 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 much policy support in venture capital withdrawal, Trust Industry Protection Fund subscription, etc.

As at 31 December 2024, the Company has established 56 charitable trusts with a cumulative delivery scale of about RMB166.3489 million, and has used trust funds of about RMB31.6967 million according to the wishes of the clients, with 9,669 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. In December 2024, the industry's leading charitable trust with a DAF model of listed company was implemented. 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.

3.2.2 Proprietary Business

In 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 other original businesses 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 RMB439.0 million from its proprietary business in 2024, representing a year-on-year increase of 2.9%, mainly due to (1) the increase in gains from changes in fair value from RMB212.7 million in 2023 to RMB414.6 million in 2024; partially offset by (2) the decrease in investment income from RMB72.4 million in 2023 to RMB67.2 million in 2024; and (3) the Company recorded net interest income of RMB99.6 million in 2023 and net interest expense of RMB56.6 million in 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 China Banking and Insurance Regulatory Commission (“**former CBIRC**” which was replaced by the National Financial Regulatory Administration (“**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 the Company’s proprietary business, the Company allocates its proprietary assets into different asset classes and invests in businesses with strategic value for the Company’s trust business in order to maintain and increase the value of its proprietary assets. The Company manages and invests its proprietary assets according to its annual assets allocation plans, which are formulated by the management of the Company and approved by the Board. The Company makes strategic long-term investments in a number of financial institutions, which helps to establish stronger business relationships with these financial institutions and create synergies for its operations. The Company also invests its proprietary assets in various types of equity products, such as listed stock and mutual funds, as well as wealth management products. The Company keeps a reasonable amount of its proprietary assets in highly liquid form, such as deposits at banks and other financial institutions and government bonds in order to maintain the Company’s liquidity and satisfy capital requirement for the expansion of its trust business.

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

	31 December	
	2024	2023
	<i>(RMB in thousands)</i>	
Investments in monetary assets	921,998	628,173
Cash at banks	208,142	168,505
Other monetary assets	323,856	64,619
Government bonds purchased under agreements to resell	390,000	395,049
Securities Investments	9,737,676	10,019,091
<i>Investment in equity products</i>	2,185,513	2,264,800
Listed stock investment classified as:		
– Financial assets held for trading	1,722,931	1,481,481
Subtotal	1,722,931	1,481,481
Public fund investments classified as:		
– Financial assets held for trading	462,582	783,319
Subtotal	462,582	783,319
<i>Investment in wealth management products</i>		
Investments in consolidated trust schemes	3,716,558	2,633,387
Investment in unconsolidated trust schemes classified as financial assets held for trading	153,935	518,630
Investment in unconsolidated trust schemes classified as debt investments	277,280	189,079
Other financial investment classified as debt investments	2,510,136	3,464,378
Bond investments	10,659	11,600
Asset management products	867,889	937,217
Bank wealth management	15,706	–
Long-Term Equity Investments	1,259,477	1,153,095
Investment accounted for using the equity method	403,743	521,591
Investment classified as financial assets held for trading	855,734	631,504
Proprietary Loans	70,188	115,627
Trust Industry Protection Fund	113,962	111,448
Total	12,103,301	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:

	31 December	
	2024	2023
	<i>(RMB in thousands)</i>	
Investment in monetary assets		
– Cash at banks	208,142	168,505
– Other monetary assets	323,856	64,619
– Government bonds purchased under agreements to resell	390,000	395,049
Total	921,998	628,173
	For the year ended	
	31 December	
	2024	2023
	<i>(RMB in thousands)</i>	
Interest income generated from:		
– Cash at banks	1,150	1,546
– Government bonds purchased under agreements to resell	6,302	14,893
Total	7,452	16,439

Average investment return of the Company's monetary assets (calculated as the total of investment income (in terms of interest income received), annualised as a percentage of average investment balance in such monetary assets, where appropriate) was 1.0% for both the year ended 31 December 2023 and the year ended 31 December 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 year ended	
	31 December	
	2024	2023
	<i>(RMB in millions, except risk category)</i>	
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	2,225.2	1,890.2
– Trust schemes	3,744.4	2,788.7
– Debt investments	2,987.3	3,554.8
– Bond investments	11.1	166.2
– Asset management products	902.6	812.4
– Bank wealth management	7.9	–
	—————	—————

Note:

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

The Company contemporaneously adjusted the allocation of its proprietary assets in securities investment according to market conditions. During the Reporting Period, the average balance of the Company's investments in equity products increased by 17.7% from RMB1,890.2 million in 2023 to RMB2,225.2 million in 2024; the average balance of investments in trust schemes increased by 34.3% from RMB2,788.7 million in 2023 to RMB3,744.4 million in 2024; the average balance of the debt investments decreased by 16.0% from RMB3,554.8 million in 2023 to RMB2,987.3 million in 2024; the average balance of bond investments decreased by 93.3% from RMB166.2 million in 2023 to RMB11.1 million in 2024; the average balance of investments in asset management products increased by 11.1% from RMB812.4 million in 2023 to RMB902.6 million in 2024; and the average balance of investments in bank wealth management products in 2024 amounted to RMB7.9 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 31 December 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 31 December 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

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:

	31 December	
	2024	2023
	<i>(RMB in thousands)</i>	
Long-term equity investments, accounted for:		
– As associate using the equity method	403,743	521,591
– Investment categorised as financial assets held for trading	855,734	631,504
	<u>855,734</u>	<u>631,504</u>
Total	<u>1,259,477</u>	<u>1,153,095</u>
	For the year ended	
	31 December	
	2024	2023
	<i>(RMB in thousands)</i>	
Dividend income generated from:		
– As associate using the equity method	–	781
– Investment categorised as financial assets held for trading	4,728	796
	<u>4,728</u>	<u>796</u>
Total	<u>4,728</u>	<u>1,577</u>

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 0.4% for the year ended 31 December 2023 and for the year ended 31 December 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 31 December 2024, the carrying amount of the Company's proprietary loans were RMB115.6 million and RMB70.2 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 31 December 2024.

3.3 Financial Overview

3.3.1 Analysis of Consolidated Income Statement

In 2024, the Company achieved a net profit of RMB142.8 million, representing a decrease of RMB15.8 million, or 10.0%, 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 year ended	
	31 December 2024	2023
	<i>(RMB in thousands)</i>	
I. Total operating income	904,977	1,190,457
Net interest income	-56,270	100,235
Including: Interest income	-3,639	192,203
Interest expense	52,631	91,968
Net fee and commission income	455,105	766,122
Including: Fee and commission income	459,426	771,125
Fee and commission expenses	4,321	5,003
Investment income	67,155	72,373
Including: Income from investment in associates and joint ventures	8,073	10,193
Gains from changes in fair value	414,594	212,740
Gains from changes in net assets attributable to third-party investors in consolidated structured entities	5,906	26,263
Other operating income	18,612	12,677
Gains on disposal of assets	-125	47
II. Total operating costs	610,809	781,110
Tax and surcharges	5,953	8,356
Business and administrative expenses	294,938	269,073
Credit impairment losses	301,959	500,462
Impairment losses on other assets	2,064	–
Other operating costs	5,895	3,219
III. Operating profit	294,168	409,347
Add: Non-operating income	470	2,935
Less: Non-operating expenses	81,044	122,132
IV. Total profit	213,594	290,150
Less: Income tax expenses	70,799	131,517
V. Net profit	142,795	158,633

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 year ended	
	31 December	2023
	2024	
	<i>(RMB in thousands)</i>	
Interest income	-3,639	192,203
Including: Cash and bank deposits	1,460	2,174
Loans and advances to customers	2,971	97,290
Debt investments	-14,539	77,543
Financial assets purchased under resale agreements	6,302	14,882
Others	167	314
Interest expense	52,631	91,968
Including: Short-term borrowings	46,722	51,154
Income attributable to third-party trust beneficiaries of consolidated structured entities	3,607	37,671
Others	2,302	3,143
Net interest income	<u>-56,270</u>	<u>100,235</u>

The Group's net interest expense in 2024 amounted to RMB56.3 million, as compared to net interest income of RMB100.2 million in the corresponding period of last year, mainly due to the interest income changed from RMB192.2 million in 2023 to RMB-3.6 million in 2024, of which the interest income of the loans granted by the Group decreased from RMB97.3 million in 2023 to RMB3.0 million in 2024, and the interest income of debt investments decreased from RMB77.5 million in 2023 to RMB-14.5 million in 2024. The interest expense in 2024 amounted to RMB52.6 million, representing a decrease of RMB39.4 million as compared to the corresponding period of last year, mainly due to the decrease in income attributable to third-party trust beneficiaries of consolidated structured entities of RMB34.1 million.

The interest income from loans granted by the Group decreased, which was mainly due to the decrease in interest income from loans granted by the consolidated trust schemes. The Group's interest income from debt investments amounted to RMB-14.5 million, which was mainly due to the reversal of interest income amounting to RMB19.9 million provided for overdue debt investments during the Reporting Period.

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 year ended	
	31 December	
	2024	2023
	<i>(RMB in thousands)</i>	
Fee and commission income	459,426	771,125
Including: Trustee's remuneration	406,970	717,392
Others	52,456	53,733
Fee and commission expenses	4,321	5,003
Including: Guarantee fee	4,036	4,443
Others	285	560
Net fee and commission income	455,105	766,122

The Group's net fee and commission income in 2024 was RMB455.1 million, representing a decrease of 40.6% as compared to RMB766.1 million in 2023, which was mainly due to the transformation of the Company's trust business, resulting in a decrease of 40.4% in fee and commission income from RMB771.1 million in 2023 to RMB459.4 million in 2024.

Investment Income

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

Item	For the year ended 31 December	
	2024	2023
	<i>(RMB in thousands)</i>	
Income from long-term equity investments accounted for using equity method	8,073	10,193
Investment income from holding financial assets	52,216	55,289
Investment income from disposal of long-term equity investments	6,819	5,001
Investment income from disposal of loans and other debt investments	47	1,890
Total	67,155	72,373

The Group's investment income in 2024 was RMB67.2 million, representing a decrease of RMB5.2 million as compared to RMB72.4 million in 2023, which was due to the year-on-year decrease of RMB5.2 million in investment income from long-term equity and investment income from holding financial assets measured by the equity method of the Group in 2024.

Gains from Changes in Fair Value

	For the year ended	
	31 December	
	2024	2023
	<i>(RMB in thousands)</i>	
Source of gains from changes in fair value		
Financial assets held for trading	417,434	228,095
Investment in associates	-2,840	-15,355
	<hr/>	<hr/>
Total	414,594	212,740
	<hr/> <hr/>	<hr/> <hr/>

The Group's gains from changes in fair value increased from RMB212.7 million in 2023 to RMB414.6 million in 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 non-listed companies and stock investment in 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 year ended	
	31 December	
	2024	2023
	<i>(RMB in thousands)</i>	
Employee benefits	162,218	122,427
Depreciation and amortisation	60,327	57,181
Legal and professional fees	14,750	11,117
Network expenses	18,514	17,895
Promotional expenses	4,847	7,003
Lease charges	6,252	7,961
Business hospitality expenses	3,310	5,656
Travel expenses	3,945	5,942
Office expenses	1,004	3,104
Others	19,771	30,787
Total	294,938	269,073

The Group's business and administrative expenses in 2024 were RMB294.9 million, representing an increase of 9.6% as compared with RMB269.1 million in 2023, which was mainly due to the increase in the Group's employee benefits, depreciation and amortisation, and legal and professional fees.

Credit Impairment Losses

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

Item	For the year ended	
	31 December	
	2024	2023
	<i>(RMB in thousands)</i>	
Losses on bad debts of accounts receivable	-8,681	6,842
Losses on bad debts of other receivables	6,667	19,232
Impairment losses on loans and advances to customers	67,124	165,006
Impairment losses on debt investments	218,966	309,382
Impairment losses on other assets	17,883	–
Total	<u>301,959</u>	<u>500,462</u>

The Group's credit impairment losses decreased by 40.0% from RMB500.5 million in 2023 to RMB302.0 million in 2024, mainly due to a year-on-year decrease in provisions made in 2024 as a result of the actual credit risk profile and previous provisions made.

Non-operating Expenses

Item	For the year ended	
	31 December	
	2024	2023
	<i>(RMB in thousands)</i>	
Compensation expenses	81,009	120,810
Penalty expenses	–	400
Losses on retirement of non-current assets	35	922
Total	<u>81,044</u>	<u>122,132</u>

The Group's non-operating expenses decreased from RMB122.1 million in 2023 to RMB81.0 million in 2024, mainly due to the significant decrease in provision for compensation expenses. During the year, compensation expenses of RMB45.7 million were provided for three lawsuits involving the Company (details of which are set out in the note on "Provisions"). Separately, compensation expenses of RMB30.2 million were actually paid for another lawsuit involving the Company in 2024.

Total Profit and Operating Margin

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

	For the year ended 31 December	
	2024	2023
	<i>(RMB in thousands)</i>	
Total profit	213,594	290,150
Operating margin ⁽¹⁾	23.6%	24.4%

Note:

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

As a result of the foregoing, the Group's total profit decreased from RMB290.2 million in 2023 to RMB213.6 million in 2024, and operating margin decreased from 24.4% in 2023 to 23.6% in 2024.

Income Tax Expenses

Item	For the year ended 31 December	
	2024	2023
	<i>(RMB in thousands)</i>	
Income tax expenses for the year	61,732	170,546
Deferred income tax expenses	9,067	-39,029
Total	<u>70,799</u>	<u>131,517</u>

The Company recorded an income tax expense of RMB131.5 million in 2023 and an income tax expense of RMB70.8 million in 2024, mainly due to a year-on-year decrease in the Group's total profit in 2024.

Net Profit and Net Profit Margin

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

	For the year ended	
	31 December	
	2024	2023
	<i>(RMB in thousands)</i>	
Net profit	142,795	158,633
Net profit margin ⁽¹⁾	15.8%	13.3%

Note:

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

As a result of the foregoing reasons, the net profit decreased from RMB158.6 million in 2023 to RMB142.8 million in 2024, and net profit margin increased from 13.3% in 2023 to 15.8% in 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 year ended	
	31 December	
	2024	2023
	<i>(RMB in thousands)</i>	
Trust business:		
Operating income	<u>466,473</u>	<u>766,750</u>
Segment income	<u>466,473</u>	<u>766,750</u>
Proprietary business:		
Operating income	<u>438,505</u>	423,707
Non-operating income	<u>470</u>	<u>2,935</u>
Segment income	<u>438,975</u>	<u>426,642</u>

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

	For the year ended	
	31 December	
	2024	2023
	<i>(RMB in thousands)</i>	
Trust business:		
Operating expenses	293,231	264,487
Non-operating expenses	80,971	122,032
	<u>374,202</u>	<u>386,519</u>
Segment expenses	<u>374,202</u>	<u>386,519</u>
Proprietary business:		
Operating expenses	317,579	516,623
Non-operating expenses	73	100
	<u>317,652</u>	<u>516,723</u>
Segment expenses	<u>317,652</u>	<u>516,723</u>

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 year ended	
	31 December	
	2024	2023
	<i>(RMB in thousands)</i>	
Trust business	92,271	380,231
Proprietary business	121,323	-90,081
	<u>213,594</u>	<u>290,150</u>
Total profit	<u>213,594</u>	<u>290,150</u>

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 year ended	
	31 December	
	2024	2023
	<i>(RMB in thousands)</i>	
Trust business	19.8%	49.6%
Proprietary business	27.6%	-21.1%

Trust Business

The segment income from the Group's trust business consists of its net fee and commission income, other operating 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 75.7% from RMB380.2 million in 2023 to RMB92.3 million in 2024, primarily due to a decrease of 39.2% in the segment income from the trust business from RMB766.8 million in 2023 to RMB466.5 million in 2024, which was partially offset by a decrease of 3.2% in segment operating expenses from the trust business from RMB386.5 million in 2023 to RMB374.2 million in 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 RMB766.1 million in 2023 to RMB455.1 million in 2024.
- (2) The decrease in the segment operating expenses from the trust business was mainly due to (1) an increase in administrative expenses related to trust business of the Group from RMB254.8 million in 2023 to RMB289.8 million in 2024; and (2) a decrease in non-operating expenses related to trust business from RMB122.0 million in 2023 to RMB81.0 million in 2024.

As a result of the foregoing, the segment profit margin of the trust business decreased from 49.6% in 2023 to 19.8% in 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 consist 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 changed from loss of RMB90.1 million in 2023 to gain of RMB121.3 million in 2024, primarily due to an increase of 2.9% in the segment income from the proprietary business from RMB426.6 million in 2023 to RMB439.0 million in 2024, while the segment operating expenses decreased by 38.5% from RMB516.7 million in 2023 to RMB317.7 million in 2024.

- (1) The increase in segment income from the proprietary business was mainly due to (i) the increase in the gains from changes in fair value from RMB212.7 million in 2023 to RMB414.6 million in 2024; partially offset by (ii) the decrease in investment income from RMB72.4 million in 2023 to RMB67.2 million in 2024; and (iii) net interest income of RMB99.6 million in 2023 and net interest expense of RMB56.6 million in 2024.
- (2) The decrease in the segment operating expenses from the proprietary business was mainly due to a decrease in the provision for impairment losses on credit assets from RMB500.5 million in 2023 to RMB302.0 million in 2024.

As a result of the above, the Company recorded a segment profit margin for the proprietary business of -21.1% in 2023, and 27.6% in 2024.

3.3.2 Selected Consolidated Financial Positions

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

Assets

As at 31 December 2023 and 31 December 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 RMB14,279.3 million, respectively, of which the total assets of the Company amounted to RMB13,249.8 million and RMB13,314.8 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 31 December 2024, the above-mentioned major assets accounted for 15.1%, 32.2%, 5.1%, 30.6%, 4.1%, 0.7% and 2.7% 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, accrued interests, expected credit losses ("ECL") allowance, net amount of the Group's loans and advances to customers:

Item	For the year ended	
	31 December	
	2024	2023
	<i>(RMB in thousands)</i>	
Principal amount of loans and advances to customers	2,420,407	2,428,707
Including: Issued by the Company	72,926	115,000
Issued by consolidated structured entities	2,347,481	2,313,707
Accrued interests	137,788	125,371
Less: ECL allowance – principal amount	391,637	339,299
ECL allowance – accrued interests	7,506	13,254
Loans and advances to customers, net	<u>2,159,052</u>	<u>2,201,525</u>

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 157% from RMB748.0 million as at 31 December 2023 to RMB1,922.0 million as at 31 December 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 31 December 2024 were RMB897.3 million and RMB1,611.1 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 RMB366.2 million for these impaired loans as at 31 December 2023 and 31 December 2024, respectively, representing 24.2% and 19.1% 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 79.4% of the Group's gross loans and advances to customers as at 31 December 2023 and 31 December 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 31 December 2024, the principal balance of Company's proprietary loans was RMB72.9 million, representing a decrease of RMB42.1 million or 36.6% as compared to the beginning of the year.

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

	31 December	
	2024	2023
	<i>(RMB in thousands)</i>	
Principal amount of loans and advances to customers	72,926	115,000
Accrued interests	1,328	7,526
Less: ECL allowance – principal	3,994	6,475
ECL allowance – accrued interests	72	424
Loans and advances to customers, net	<u>70,188</u>	<u>115,627</u>

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 Group's total debt investments, ECL allowance, net debt investments as at the date indicated:

	31 December	
	2024	2023
	<i>(RMB in thousands)</i>	
Principal	7,159,614	6,813,115
Accrued interests	–	17,822
Total	7,159,614	6,830,937
Less: ECL allowance – principal	2,563,180	2,321,985
ECL allowance – accrued interests	–	1,695
Net amount	4,596,434	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 a target company, the Group treats such investee 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 31 December 2024	31 December 2024	2023
		<i>(RMB in thousands)</i>	
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%	167,710	162,278
Sinotruk Automobile Finance Co., Ltd. (重汽汽車金融有限公司)	6.52%	230,065	225,155
Dezhou Bank Co., Ltd. (德州銀行股份有限公司)	2.37%	–	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%	<u>5,968</u>	<u>3,908</u>
Subtotal		403,743	521,591
Associates measured at fair value invested by the consolidated structured entities			
		<u>319,639</u>	<u>322,478</u>
Total		<u>723,382</u>	<u>844,069</u>

In 2024, the Company changed its equity investments in Dezhou Bank Co., Ltd. from equity method of accounting to cost method of accounting, adjusting the same from the “long-term equity investments” account to the “financial assets held for trading” account.

Financial Assets Held for Trading

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

Item	31 December	
	2024	2023
	<i>(RMB in thousands)</i>	
Financial assets at FVTPL	4,372,519	4,506,455
Including: Stock investments	1,723,067	1,481,481
Public fund investments	515,420	783,319
Investment in asset management scheme	917,316	937,217
Bond investments	10,659	11,628
Equity investments in unlisted companies	910,100	661,872
Trust Industry Protection Fund	116,251	112,308
Investments in trust schemes	164,000	518,630
Bank wealth management	15,706	–
Total	<u>4,372,519</u>	<u>4,506,455</u>

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 Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”) (A share stock code: 601916, H share stock code: 2016), respectively. As at 31 December 2023 and 31 December 2024, the Company held 579,592,903 A shares and 572,992,903 A shares of CZ Bank, representing 2.11% and 2.09% of its total share capital, respectively. The investment cost was RMB1.161 billion, and the fair value was RMB1.425 billion and RMB1.667 billion, representing 10.1% and 11.7% of the total assets of the Company as at 31 December 2023 and 31 December 2024, respectively. In 2024, the Company recognised RMB355.5 million as operating income from its investment in CZ Bank, among which RMB260.6 million was recognised as gains from changes in fair value and RMB94.9 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 3.0% from RMB4,506.5 million as at 31 December 2023 to RMB4,372.5 million as at 31 December 2024, primarily due to the Group’s (i) decrease of the public fund investments; (ii) increase of the equity investments in unlisted companies; (iii) decrease of the investments in trust schemes; and (iv) increase in stock investments.

Monetary Assets

As at 31 December 2023 and 31 December 2024, the Group's monetary assets amounted to RMB283.9 million and RMB591.7 million, respectively, of which RMB233.1 million and RMB532.0 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 decreased by 42.8% from RMB172.5 million as at 31 December 2023 to RMB98.7 million as at 31 December 2024, which was mainly due to the transformation of the Company's trust business, that the scale of traditional financing trust decreased, resulting in a decrease in trustee's remuneration receivable provided. 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 28 February 2025, 35.48% 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 RMB390 million as at 31 December 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 31 December 2024, respectively.

Liabilities

As at 31 December 2023 and 31 December 2024, the Group's total liabilities amounted to RMB3,079.5 million and RMB3,042.6 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 31 December 2024, the above liabilities accounted for 9.2%, 3.3%, 5.5%, and 79.0% of the Group's total liabilities, respectively.

Short-term Borrowings

As at 31 December 2024, the Group's short-term borrowings amounted to RMB280.5 million were interest-bearing loans from Trust Protection Fund Company which will fall due in April, June and July 2025, respectively.

Provisions

As at 31 December 2024, the Group's provisions amounted to RMB166.5 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, non-current funds borrowing provided by China Trust Protection Fund Co., Ltd. (“CTPF”) 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 increased by 7.9% from RMB806.9 million as at 31 December 2023 to RMB870.6 million as at 31 December 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 RMB280.0 million as at 31 December 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 RMB242.4 million as at 31 December 2024.

As at 31 December 2024, the balance of non-current funds borrowing provided by CTPF to the Company was RMB700.0 million.

Off-balance Sheet Arrangements

As at 31 December 2024, the Group did not have any outstanding off-balance sheet guarantees or foreign currency forward contracts.

3.4 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.

During the year ended 31 December 2023 and the year ended 31 December 2024, the Company had consolidated 22 and 30 of the trust schemes under its management, respectively, and the total trust assets of these consolidated trust schemes were RMB3,724.3 million and RMB4,834.3 million, respectively. The following table sets forth changes in the number of the Group's consolidated trust schemes during the Reporting Period:

	For the year ended	
	31 December	
	2024	2023
Beginning:	22	19
Newly consolidated trust schemes	11	7
Deconsolidated trust schemes	3	4
Ending:	30	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:

	31 December	
	2024	2023
	<i>(RMB in millions)</i>	
Total assets of the Company	13,315	13,250
Total assets of consolidated trust schemes	4,834	3,724
Consolidation adjustment	-3,870	-2,805
	<hr/>	<hr/>
Total assets of the Group	<u>14,279</u>	<u>14,169</u>

However, the impact on the Group's total assets largely corresponded to the significant increase in the Group's total liabilities due to the inclusion of liabilities of these trust schemes (presented as "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:

	31 December	
	2024	2023
	<i>(RMB in millions)</i>	
Total liabilities of the Company	2,071	2,156
Total liabilities of consolidated trust schemes	276	302
Consolidation adjustment	696	622
	<hr/>	<hr/>
Total liabilities of the Group	<u>3,043</u>	<u>3,080</u>

As a result of the foregoing, the impact on the Group's net assets or equity from consolidation of these trust schemes was thus 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:

	31 December	
	2024	2023
	<i>(RMB in millions)</i>	
Total equity of the Company	11,244	11,094
Consolidation adjustment	-8	-5
	<hr/>	<hr/>
Total equity of the Group	<u>11,236</u>	<u>11,089</u>

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. In addition, the consolidation of these trust schemes affected the Group's interest income due to inclusion of interest income generated from loans granted by the Group's consolidated trust schemes. It also affected the Group's interest expense which represented interest income of the Group's consolidated financing trust schemes that were expected to affect 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 year ended	
	31 December	
	2024	2023
	<i>(RMB in millions)</i>	
Net profit of the Company before consolidation of trust schemes	146	234
Impact of consolidation of trust schemes	-3	-75
	<hr/>	<hr/>
Net profit of the Group after consolidation of trust schemes	<u>143</u>	<u>159</u>

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 has not made any proprietary investments in the Company's administrative management trusts during the Reporting Period, the Company had not been required to consolidate any administrative management trusts during the Reporting Period.

With respect to the 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.

3.5 Risk Management

Overview

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

3.5.1 Risk Management Organisational Structure

The integrated risk management organisational structure of the Company is included in every level of the Company's corporate governance, including (1) the shareholders' general meeting; (2) the Board of Directors and Strategies and Risk Management Committee and Audit Committee; (3) the board of supervisors of the Company (the "**Board of Supervisors**"); (4) the General Manager's Office Meeting; (5) the Business Decision Consultation Committee; (6) the Trust Business Review Committee, the Capital Market Business Review Committee; (7) the Operating Trust Ad-hoc Issues 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 Department and Proprietary Business Department. Finally, all trust business departments of the Company are required to assume primary risk management responsibilities.

3.5.2 Factors Affecting the Company's Results of Operations

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

General Economic and Financial Market Conditions

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

After Chinese economy has experienced rapid growth for over 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. The NFRA (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 China Securities Regulatory Commission (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. On 27 January 2025, the General Office of the State Council forwarded the Several Opinions on Strengthening Supervision and Preventing Risks to Promote High-Quality Development of the Trust Industry issued by the NFRA,

pointing out the direction for the transformation and development of the trust industry. The above policies are conducive to trust companies in enhancing the active management capability and returning to the fundamentals of trust industry in the medium to long term. 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 commercial bank wealth management subsidiaries, 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 face increased competition and lose some of its advantages as a result.

Business Lines and Product Mix

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

performance of the Company's trust business would be significantly affected by the relative weight of different types of trust products the Company provides. The Company also generates interest income and investment income from its proprietary business by allocating its proprietary assets into different asset classes. The performance of the Company's proprietary business is affected by its proprietary assets allocation plan, market condition, interest rate as well as the Company's investment and risk management capability, and will also significantly affect the Company's financial position and results of operation.

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

Competition

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

The Company also faces competition from other financial institutions. For the Company's financing trusts, the Company competes with other potential financing sources, such as commercial banks and commercial bank wealth management subsidiaries, for the Company's counterparty clients and the intensity of competition from other financing sources will affect the number and quality of the Company's counterparty

clients as well as the level of interest the Company can charge on financings to the Company's counterparty clients and thereby affect the Company's operating income and profitability. For the Company's investment trusts, the Company competes with other financial institutions that provide assets and wealth management services. Given the changes of regulation policies on various financial sectors, financial institutions such as commercial banks, and commercial bank wealth management subsidiaries, securities firms, fund management companies, private 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 affect 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 affect the amount of the trustee's remuneration of the Company as well as the Company's interest income from consolidated trust schemes and its proprietary loans; and
- Changes in interest rates may also affect the value of various types of financial assets held by the Company's trust schemes or itself as proprietary assets. For example, an increase in interest rates may cause a decline in the market value of fixed-income securities and thereby reduce the Net Assets Value of the trust schemes holding such securities or the Company's proprietary business.

3.5.3 Credit Risk Management

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

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

Credit Risk Management on Trust Business

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

Credit Risk Management on Proprietary Business

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

3.5.4 Market Risk Management

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

3.5.5 Liquidity Risk Management

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

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

3.5.6 Compliance Risk Management

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

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

3.5.7 Operational Risk Management

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

3.5.8 Reputational Risk Management

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

3.5.9 Other Risk Management

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

3.5.10 Anti-money Laundering Management

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

The Company established an Anti-Money Laundering Leading Work Group for anti-money management, appointed the general manager of the Company as chairperson of the group, and the chief risk officer who was responsible for legal and compliance matters as 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 Leading Work 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 ten 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 to the PRC Anti-Money Laundering Monitoring and Analysis Centre led by the PBOC in accordance with the relevant laws and regulations.

3.6 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 31 December 2024, the Company's net capital was approximately RMB9.197 billion, which is not less than RMB200 million; the total risk-based capital was approximately RMB3.186 billion; the ratio of net capital to total risk-based capital was 288.68%, which is not lower than 100%; and the ratio of net capital to net asset was 81.8%, which is not lower than 40%.

3.7 Future Prospect

For some time to come, affected by policy uncertainty and geopolitical factors, the world will face risks of intensifying anti-globalisation trend, rising trade protectionism, and rising inflation again. It is expected to continue to fluctuate on a medium to low growth track. Although China's economy is facing multiple challenges such as insufficient effective demand, and continuous adjustment of real estate market, the basic trend of long-term economic improvement remains unchanged. By implementing more proactive fiscal policies and moderately loose monetary policies, promoting the development of new productive forces, and coordinating and resolving risks in key areas such as real estate and local debt, China's economy will still achieve steady growth on the path of high-quality development.

Finance is the blood of the national economy, an important part of China's core competitiveness, and is related to the entire construction of Chinese-style modernisation. As a key component of the financial industry, trust plays a crucial role in serving the real economy and meeting people's needs for a better life. At the beginning of 2025, the General Office of the State Council forwarded the Several Opinions on Strengthening Supervision and Preventing Risks to Promote High-Quality Development of the Trust Industry issued by the NFRA, further clarifying the development direction and transformation path of the trust industry, and proposing to amend the Trust Law to promote the registration of non-fund trust properties and allow charitable trusts to enjoy tax benefits in accordance with the laws. The implementation of the relevant supporting policies will further stimulate the power and vitality of industry transformation, and expand room for more development.

2025 is the final year of the 14th Five-Year Plan and the planning year of the 15th Five-Year Plan. It is also a critical year to promote the Company's high-quality development. Facing a new round of transformation and upgrading opportunities in the industry, SITC will take regulatory policies as its orientation, the "three categories" reform of trusts as its guidance, and returning to the origin and serving the real economy as its missions. Adhering to the political and people-oriented nature of financial work, the Company will focus on the "five major areas" of finance as well as the development opportunities in the original businesses such as family trusts, pension trusts, and real estate trust registration. Continuously consolidating its "stable and healthy" operating foundation, the Company will accelerate the construction of a "specialised and refined" business system, and move steadily forward on the road to achieve high-quality development goals.

3.8 Key Tasks for 2025

In 2025, SITC will fully implement the spirit of the 20th National Congress of the Communist Party of China, the Second and Third Plenary Sessions of the 20th Central Committee and the Central Economic Work Conference, and follow the guidance of the Several Opinions on Strengthening Supervision and Preventing Risks to Promote High-Quality Development of the Trust Industry issued by the NFRA to firmly grasp the theme of high-quality development, maintain determination, reshape capabilities, work hard to improve internal strength, actively comply with regulatory guidance, and adhere to the concept of transformation and development. By focusing on the four aspects, the Group will achieve four improvements to fully carry out all tasks of operation and management.

Firstly, the Group will enhance strategic guidance, and improve its professional service capabilities in entrusted management. By coordinating the relationship between cultivating new momentum and updating old momentum, the Group will comprehensively improve its investment and research capabilities, wealth management capabilities and information technology support capabilities, building core advantages and reshaping the growth curve. The Group will also vigorously develop original businesses such as family trusts, family service trusts, premium trusts and capital market trusts, continue to deepen cooperation with banks, securities firms, insurance companies and other peer institutions, enhance supporting capabilities of intelligent operating systems, expand active management scale, continuously innovate business models, and enhance brand connotation value. It will break through the traditional non-standard business thinking model and path dependence, and instead plan and implement more innovative projects that lay the foundation and benefit the long-term. The Group will improve the investment efficiency of proprietary business and actively explore financial equity investment business. The Company will continuously promote resource sharing and collaborative development among various segments to systematically improve the Company's comprehensive service capabilities in the field of entrusted management.

Secondly, the Group will give full play to the advantages of trusts, and improve differentiated competitiveness. By deepening the regional strategic layout, the Group will accurately anchor on the core enterprises and key industrial ecology of Shandong Province, leverage local advantages to form a sustainable business model that adapts to local endowments, and focus on the “five major areas” of finance. It will also anchor on major local strategies such as cultivating new productive forces and green and low-carbon high quality development, and identify entry points of services. The Group will focus on the application scenario of “pension finance” and give full play to the professional, long-term and customised advantages of trusts; consolidate the innovation achievements of service trusts, and continue to explore the application of prepaid capital service trusts in different livelihood scenarios such as commercial prepayments, decoration, and property; actively expand risk disposal service trusts, and provide trust-specific solutions in the fields of non-performing asset disposal such as ensuring housing delivery and bankruptcy restructuring; vigorously develop public welfare charitable trusts, and make every effort to fulfill the social responsibility of finance for the benefit of the people. The Group will also strengthen the construction of financial technology systems, and improve the operational efficiency of various asset service trusts, so as to help expand the size of assets under management.

Thirdly, the Group will strengthen risk management and control, and cultivate financial culture with Chinese characteristics. The Group will coordinate the disposal of non-performing assets and risk prevention and control. Incremental revitalisation, litigation enforcement, debt repayment in kind, debt restructuring, mutual benefit debt and other methods will be used comprehensively to speed up the progress of disposal of non-performing assets. The Group will also carefully select counterparties to strictly prevent regional and credit qualifications from losing. It will closely monitor the repayment sources of existing projects and scientifically predict potential risks; strictly fulfill fiduciary responsibilities and improve the operation of risk management system. Continuing to cultivate financial culture with Chinese characteristics, and through a series of activities, the Group will encourage its cadres and employees to fully understand and always practise the profound connotations of the “Five Musts and Five Don’ts”, highlighting the true nature of trust culture, and enhancing the leadership and penetration of cultural power.

Fourthly, the Group will deepen the reform of organisational structure, and improve the development, support and guarantee capabilities.

Based on the present, looking to the future, and planning for the long term, the Group will make use of reform methods to solve development problems, removing obstacles and stimulating vitality. It will integrate and adjust front-office departments, reallocate human resources based on business transformation orientation and performance completion, optimise and improve middle- and back-office departments, strengthen support and guarantee positioning, and improve operation and service efficiency. The Group will also optimise the remuneration assessment system, establish an appropriate fault-tolerant mechanism, and improve innovation protection and support policies; strengthen the construction of talent team, and build a dual-track promotion channel of “position + rank” to advance employee promotion in an orderly manner.

4. PROFITS AND DIVIDENDS

The Company’s profits for the year ended 31 December 2024 are set out in the section headed “3. Management Discussion and Analysis – 3.3 Financial Overview” in this results announcement.

The Company will not declare the final dividend for the year 2024.

5. DIRECTORS (THE “DIRECTORS”), SUPERVISORS (THE “SUPERVISORS”) AND SENIOR MANAGEMENT OF THE COMPANY

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

Members of the Board of Directors include Mr. Yue Zengguang (chairperson) as executive Director; Mr. Wang Zengye (vice-chairperson) and Ms. Duan Xiaoxu as non-executive Directors; Ms. Zhang Haiyan, Mr. Zheng Wei and Ms. Liu Wanwen as independent non-executive Directors.

Members of the Board of Supervisors include Mr. Guo Xiangzhong (chairperson), 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.

Members of the senior management of the Company include Mr. Wang Ping as chief financial officer (acting as general manager); Ms. Zhou Jianqu as vice general manager; Mr. He Chuangye as vice general manager, secretary to the Board and company secretary; Mr. Tian Zhiguo as chief risk officer; Mr. Niu Xucheng, Mr. Lin Guanwei and Ms. Yuan Fang as vice general manager; Mr. Sun Botao as assistant to general manager.

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

Changes of Directors

Upon the recommendation of the Board of Directors, Mr. Yue Zengguang was elected as executive Director at the 2023 second extraordinary general meeting of the Company held on 28 November 2023 and was elected by the Board of Directors as chairperson. The qualification of Mr. Yue as executive Director and chairperson of the Board of Directors was approved by the Shandong Office of the National Financial Regulatory Administration (the “**Shandong Office of the NFRA**”) 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 2023 annual general meeting (the “**AGM**”) held on 27 June 2024. Due to the expiration of his term, Mr. Fang Hao was not re-elected as an executive Director of the fourth session of the Board of Directors and concurrently ceased to serve as 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. Due to the expiration of their terms, Mr. Wang Zengye and Mr. Zhao Zikun were not re-elected as non-executive Directors of the fourth session of the Board of Directors. Before the newly elected Directors formally take office by fulfilling the relevant procedures in accordance with laws and regulations, Mr. Wang Zengye and Mr. Zhao Zikun would continue to perform their duties as Directors until the qualifications of the newly elected Directors of the fourth session of the Board of Directors are approved by the local office of the NFRA to ensure the composition of the Board of Directors always comply with the relevant laws and regulations as well as the Articles of Association.

Due to adjustment of work arrangements, Ms. Wang Bailing resigned 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 qualification of Ms. Duan Xiaoxu as a non-executive Director was approved by the Shandong Office of the NFRA on 4 September 2024. Since then, Mr. Zhao Zikun ceased to serve as a non-executive Director.

Upon the recommendation of the Board of Directors, Mr. Chen Xuebin and Mr. Chen Liuyi were elected as non-executive Directors at the 2024 first extraordinary general meeting of the Company held on 26 December 2024. The qualifications of Mr. Chen Xuebin and Mr. Chen Liuyi as non-executive Directors are yet to be approved by the local office of the NFRA.

Due to adjustment of work arrangements, the appointment of Ms. Zhou Jing was terminated.

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 the external Supervisor of the fourth session of the Board of Supervisors at the AGM. The terms of the shareholder representative Supervisors and external Supervisor of the fourth session of the Board of Supervisors are three years, with effect from the date of approval at the AGM. Ms. Li Yan, Mr. Wei Xiangyang and Ms. Wu Yi were democratically elected as employee representative Supervisors of the Company at the employee representative meeting. Their respective terms of three years commenced upon the establishment of the fourth session of the Board of Supervisors of the Company (i.e. 27 June 2024).

Due to the expiration of their terms, 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 her term, Ms. Wang Yan was not re-elected as the external Supervisor of the fourth session of the Board of Supervisors of the Company. Due to the expiration of his term, Mr. Zhang Wenbin was not re-elected as an employee representative Supervisor of the fourth session of the Board of Supervisors of the Company.

Changes of Senior Management

Due to the expiration of his term, Mr. Fang Hao ceased to serve as general manager of the Company from 27 June 2024.

Due to the expiration of his term, Mr. Cui Fang ceased to serve as assistant to general manager of the Company from 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 vice general manager of the Company. The qualification of Mr. Lin Guanwei as vice general manager was approved by the Shandong Office of the NFRA 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 vice general manager of the Company. The qualification of Ms. Yuan Fang as vice general manager was approved by the Shandong Office of the NFRA on 27 December 2024.

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

6. CORPORATE GOVERNANCE CODE

The Company is committed to maintaining high standard of corporate governance to safeguard the interests of the Company's shareholders and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code (the "**Corporate Governance Code**") contained in Appendix 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, then executive Director and general manager of the Company, assumed the duties of chairperson of the Company. During Mr. Fang Hao's tenure of office as chairperson, there was temporary deviation from the code provisions of the Listing Rules. The qualifications of Mr. Yue Zengguang, chairperson of the Company, as an executive Director and chairperson have been approved by the Shandong Office of the NFRA, 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 general manager of the Company. During the period from 27 June 2024 to 26 December 2024, Mr. Yue Zengguang temporarily assumed the duties of general manager of the Company. During the period in which Mr. Yue Zengguang assumed the duties of general manager, there was temporary deviation from the above-mentioned code provisions of the Listing Rules. Since 26 December 2024, Mr. Wang Ping, chief financial officer of the Company, has temporarily assumed the duties of general manager of the Company. Since then, Code C.2.1 of Part 2 of the Corporate Governance Code has been satisfied.

Notwithstanding the above-mentioned deviation, 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 during the relevant periods.

Save as disclosed above, the Company has been in compliance with all code provisions as set out in the Corporate Governance Code during the Reporting Period. The Company will continue to review and monitor its corporate governance practice in order to ensure the compliance with the Corporate Governance Code.

7. MODEL CODE FOR CONDUCTING SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix C3 to the Listing Rules as the code of conduct for its Directors and Supervisors to conduct securities transactions. Upon specific enquiries made by the Company to all Directors and Supervisors, each of the Directors and Supervisors has confirmed that they had complied with the required standard as set out in the Model Code during the Reporting Period.

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

8. PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

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

9. SIGNIFICANT EVENTS

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

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

9.2 Proposed Amendments to the Articles of Association, the Procedural Rules for the Board of Directors, the Procedural Rules for the Board of Supervisors and the Procedural Rules for the General Meetings

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. 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 Office of the NFRA 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.

According to the consultation paper on Rule Amendments Following Mainland China Regulation Updates and Other Proposed Rule Amendments Relating to PRC Issuers (the “**Consultation Paper**”) issued by the Hong Kong Stock Exchange on 24 February 2023, the Hong Kong Stock Exchange considers that the arbitration provisions to be no longer required, and the removal of such requirements would align it with provisions of the Listing Rules applicable to overseas issuers, which do not provide similar arbitration provisions. The Consultation Paper emphasises that after the removal of the arbitration provisions, shareholders of a PRC issuer may enforce their rights under the articles of association in the same manner as shareholders of other overseas issuers. In particular, they may, as with shareholders of an overseas issuer, seek to enforce their rights by commencing legal proceedings in a court of the issuer’s place of incorporation or a Hong Kong court.

In December 2024, in view of the above PRC Regulatory Changes, the newly amended Guidelines for Articles of Association issued by the CSRC and the further amended Company Law (which was officially implemented on 1 July 2024), coupled with the actual situation of the Company, the Company decided to make further amendments to the Articles of Association (the “**2024 Amendments to the Articles of Association**”).

The 2024 Amendments to the Articles of Association has been approved by shareholders at the first extraordinary general meeting for 2024 held on 26 December 2024, and shall take effect only upon approval by the Shandong Office of the NFRA. Based on the 2024 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 of the Company. 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 have been approved by shareholders at the first extraordinary general meeting for 2024 held on 26 December 2024, and shall take effect on the same day after the 2024 Amendments to the Articles of Association have been approved.

Save for the above, during the Reporting Period and up to the date of this results announcement, 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.

9.3 Material Legal Proceedings and Arbitration

As at 31 December 2024, the Company, being the plaintiff and applicant, was involved in seven 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 RMB1,631.22 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 31 December 2024, the Company, being the defendant, was involved in four pending material litigation cases, of which the amount in dispute was more than RMB10 million; the value of the litigation cases in which the Company was involved totalled approximately RMB747 million. These cases were contractual disputes. In particular, the Company only assumed affairs management responsibilities in accordance with the contractual provisions in one case, of which the total value involved was approximately RMB700 million.

9.4 Material Acquisition, Disposal and Merger of Assets

The Company entered into the Agreement on the Acquisition of Assets by Issuance of Shares with Guolian Securities Co., Ltd. (renamed as Guolian Minsheng Securities Co., Ltd. (“**Guolian Minsheng**”), a joint stock company established in the PRC with limited liability, with its A shares and H shares listed on the Shanghai Stock Exchange and the main board of the Hong Kong Stock Exchange (A share stock code: 601456, H share stock code: 01456) respectively) on 8 August 2024, pursuant to which the Company and Guolian Minsheng agreed that Guolian Minsheng 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. Based on the consideration for the transfer, the number of additional A shares issued by Guolian Minsheng acquired by the Company under the Transaction is 31,039,606 shares. The registration for the acquisition of shares of Guolian Minsheng by the Company was completed in January 2025.

The transaction constitutes a notifiable transaction of the Company under Chapter 14 of the Listing Rules. Since one of the applicable percentage ratios (as defined under the Listing Rules) in respect of the acquisition of assets by issuance of shares and the transaction 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 results announcement, during the Reporting Period, the Company had no material assets acquisition, disposal and merger.

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

During the Reporting Period, the Company did not receive any major administrative penalties from the authorities. Two of the senior management personnel of the Company received administrative penalties, namely warnings and fines, from the authorities.

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

9.6 Provisional Report on Material Issues

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

9.7 Important Information which the NFRA and its Provincial Offices Considered Necessary to Inform Clients and Stakeholders

Save as disclosed in this results announcement, for the year ended 31 December 2024, the Company did not have other important information which the NFRA and its provincial offices considered necessary to inform clients and stakeholders.

9.8 Rectification Opinion Issued by the NFRA and its Local Offices upon Inspection of the Company

In April, July, October 2024 and January 2025, the Shandong Office of the NFRA conducted quarterly on-site inspections of the Company's business, and the Company actively cooperated with the regulatory authority to complete the inspection work.

In 2024, the Company received a total of nine regulatory opinions documents and meeting minutes issued by the Shandong Office of the NFRA, concerning compliance management, business transformation, marketing promotion and other aspects. The Company actively carried out rectification work in accordance with regulatory requirements, and relevant reports or rectification plans have been submitted to the regulatory authority in a timely manner.

10. EVENTS AFTER THE REPORTING PERIOD

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

11. EXTRACT OF ANNUAL FINANCIAL STATEMENTS

The accompanying notes form part of the consolidated financial statements.

11.1 Consolidated Income Statement

				<i>Unit: RMB</i>
Item	Note	2024	2023	
I. Total operating income		904,977,751.65	1,190,457,227.88	
Net interest income	12	-56,269,970.24	100,234,903.04	
Including: Interest income	12	-3,639,078.45	192,202,677.40	
Interest expense	12	52,630,891.79	91,967,774.36	
Net fee and commission income	13	455,105,515.87	766,121,700.97	
Including: Fee and commission income	13	459,426,322.53	771,124,666.23	
Fee and commission expenses	13	4,320,806.66	5,002,965.26	
Investment income (losses indicated in “-”)	14	67,155,385.78	72,373,260.70	
Including: Income from investment in associates and joint ventures		8,073,095.79	10,192,627.15	
Net exposure hedging gains (losses indicated in “-”)				
Other income				
Gains from changes in fair value (losses indicated in “-”)	15	414,594,077.05	212,740,173.75	
Gains from changes in net assets attributable to third-party investors in consolidated structured entities (losses indicated in “-”)		5,906,373.52	26,262,792.35	
Exchange gains (losses indicated in “-”)		0.22	0.16	
Other operating income		18,612,242.10	12,677,482.99	
Gains on disposal of assets (losses indicated in “-”)		-125,872.65	46,913.92	

Item	Note	2024	2023
II. Total operating costs		610,809,562.86	781,109,822.55
Taxes and surcharges	16	5,952,653.90	8,356,011.92
Business and administrative expenses	17	294,938,324.08	269,073,176.25
Credit impairment losses	18	301,959,065.81	500,461,628.77
Impairment losses on other assets		2,064,588.45	
Other operating costs		5,894,930.62	3,219,005.61
III. Operating profit (losses indicated in "-")		294,168,188.79	409,347,405.33
Add: Non-operating income		470,213.12	2,935,017.87
Less: Non-operating expenses	19	81,044,438.73	122,131,726.49
IV. Total profit (total losses indicated in "-")		213,593,963.18	290,150,696.71
Less: Income tax expenses	20	70,799,078.13	131,517,149.99
V. Net profit (net loss indicated in "-")		142,794,885.05	158,633,546.72
(I) Categorised by the nature of continuing operations		142,794,885.05	158,633,546.72
1. Net profit from continuing operations (net loss indicated in "-")		142,794,885.05	158,633,546.72
2. Net profit from discontinued operations (net loss indicated in "-")			
(II) Categorised by ownership		142,794,885.05	158,633,546.72
1. Net profit attributable to owner of the parent company (net loss indicated in "-")		142,794,885.05	158,633,546.72
2. Profit or loss attributable to non-controlling interests (net loss indicated in "-")			

Item	Note	2024	2023
VI. Other comprehensive income, net of tax		4,553,090.25	-3,523,457.79
Other comprehensive income attributable to the owner of the parent company, net of tax		4,553,090.25	-3,523,457.79
(I) Other comprehensive income that cannot be reclassified to profit or loss			
1. Changes from recalculation of defined benefit plan			
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		4,553,090.25	-3,523,457.79
1. Other comprehensive income that can be reclassified to profit or loss under equity method		3,606,393.84	-3,523,457.79
2. Change in fair value of other debt investments			
3. Financial assets reclassified into other comprehensive income		946,696.41	
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			
Net other comprehensive income after tax attributable to non-controlling interests			

Item	<i>Note</i>	2024	2023
VII. Total comprehensive income		147,347,975.30	155,110,088.93
Total comprehensive income attributable to the owner of the parent company		147,347,975.30	155,110,088.93
Total comprehensive income attributable to non-controlling interests			
VIII. Earnings per share	<i>22</i>		
(I) Basic earnings per share (RMB/share)		0.03	0.03
(II) Diluted earnings per share (RMB/share)		0.03	0.03

11.2 Consolidated Balance Sheet

Unit: RMB

Item	Note	31 December 2024	31 December 2023
Assets:			
Monetary assets	3	591,667,910.19	283,896,884.51
Clearing settlement funds			
Precious metal			
Interbank lendings			
Derivative financial assets			
Accounts receivable		98,664,849.77	172,532,366.53
Contract assets			
Financial assets purchased under resale agreements		390,000,000.00	395,049,249.50
Assets classified as held for sale			
Loans and advances to customers	4	2,159,052,355.21	2,201,525,213.77
Financial Investments:			
Financial assets held for trading	5	4,372,519,376.33	4,506,454,958.18
Debt investments	6	4,596,433,978.01	4,507,256,604.08
Other debt investments			
Other equity instrument investments			
Long-term equity investments	7	723,382,186.27	844,069,102.22
Investment properties		203,320,335.38	212,820,911.67
Fixed assets		36,517,936.29	42,637,817.33
Construction in progress			
Right-of-use assets		24,256,598.04	47,525,901.92
Intangible assets		43,302,244.59	40,979,199.34
Long-term amortisation expenses		14,272,552.24	20,814,361.23
Deferred income tax assets		588,347,732.53	597,414,403.37
Other assets		437,599,636.97	295,907,337.56
Including: Prepayments		28,686,080.32	27,453,305.93
Including: Other receivables		252,241,144.81	243,399,954.73
Including: Other assets	8	156,672,411.84	25,054,076.90
Total assets		14,279,337,691.82	14,168,884,311.21

Item	<i>Note</i>	31 December 2024	31 December 2023
Liabilities:			
Short-term borrowings	<i>9</i>	280,484,583.34	974,779,055.55
Interbank borrowings			
Financial liabilities held for trading			
Derivative financial liabilities			
Financial assets sold under repurchase agreements			
Employment benefits payable		100,065,888.28	74,580,027.40
Taxes payable		63,816,059.58	119,927,475.98
Accounts payable		9,579,668.88	17,560,929.05
Contract liabilities		3,134,933.93	18,162,088.23
Liabilities held for sale			
Provisions	<i>10</i>	166,494,338.30	120,809,836.02
Long-term borrowings			
Bonds payable			
Including: Preferred shares			
Perpetual bonds			
Leases liabilities		16,344,167.70	39,059,410.21
Deferred income tax liabilities			
Other liabilities	<i>11</i>	2,402,692,116.03	1,714,627,528.29
Including: Receipt in advance		57,788,174.26	69,694,523.13
Including: Other payables		769,526,006.33	834,874,346.83
Including: Other liabilities		1,575,377,935.44	810,058,658.33
Total liabilities		3,042,611,756.04	3,079,506,350.73

Item	<i>Note</i>	31 December 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		-700,909.40	-5,253,999.65
Surplus reserve		1,017,412,674.90	1,002,840,747.87
Trust compensation provision		767,743,909.19	753,171,982.16
General risk provision		697,826,747.50	594,239,495.47
Undistributed profit		3,935,544,330.54	3,925,480,551.58
Total shareholders' equity attributable to the parent company		11,236,725,935.78	11,089,377,960.48
Minority interests			
Total shareholders' equity		11,236,725,935.78	11,089,377,960.48
Total liabilities and shareholders' equity		14,279,337,691.82	14,168,884,311.21

11.3 Notes to Consolidated Financial Statements

(All amounts in RMB unless otherwise stated)

1 BASIC INFORMATION ABOUT THE COMPANY

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

The Company was transformed from a wholly state-owned company to a limited liability company in August 2002 and further transformed to a joint stock limited company in July 2015. The Company completed its public offering on 8 December 2017 and its shares were listed on The Stock Exchange of Hong Kong Limited on the same day. As at 31 December 2024, the share capital of the Company was 4,658,850,000 shares with a par value of RMB1 per share.

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

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

Legal representative: Yue Zengguang

Registered capital: RMB4,658.85 million

The Company belongs to the trust industry, and 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.

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.

2 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

(1) Basis of preparation

The financial statements of the Group are prepared based on actual transactions and events in accordance with the Accounting Standards for Business Enterprises and its application guidelines, interpretations and other relevant regulations issued by the MOF (hereafter collectively referred to as “ASBE”), the Information Disclosure and Preparation Rules for Companies that Offer Securities to the Public No. 15 – General Provisions on Financial Reports (2023 Revision) and related regulations issued by the China Securities Regulatory Commission (hereafter referred to as “CSRC”), as well as the disclosure requirements of the Hong Kong Company 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 31 December 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.

3 MONETARY ASSETS

Item	Closing balance	Opening balance
Cash on hand		
Bank deposits	265,767,560.81	219,277,117.03
Other monetary assets	325,900,349.38	64,619,767.48
Total	591,667,910.19	283,896,884.51

Note 1: As at 31 December 2024, bank deposits attributable to the consolidated structured entities amounted to RMB58 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 31 December 2024, the Group’s funds in bank account of RMB115 million were frozen due to litigation.

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

4 LOANS AND ADVANCES TO CUSTOMERS

Item	Book balance	Closing balance Impairment provision	Carrying amount
Principal	2,420,407,102.47	391,637,105.61	2,028,769,996.86
Accrued interests	<u>137,788,622.53</u>	<u>7,506,264.18</u>	<u>130,282,358.35</u>
Total	<u>2,558,195,725.00</u>	<u>399,143,369.79</u>	<u>2,159,052,355.21</u>

Item	Book balance	Opening balance Impairment provision	Carrying amount
Principal	2,428,707,215.22	339,298,759.90	2,089,408,455.32
Accrued interests	<u>125,370,637.71</u>	<u>13,253,879.26</u>	<u>112,116,758.45</u>
Total	<u>2,554,077,852.93</u>	<u>352,552,639.16</u>	<u>2,201,525,213.77</u>

5 FINANCIAL ASSETS HELD FOR TRADING

Item	Closing balance	Opening balance
Financial assets at FVTPL	4,372,519,376.33	4,506,454,958.18
Including: Stock investments	1,723,067,586.73	1,481,480,500.44
Public fund investments	515,420,374.36	783,319,294.32
Investment in asset management scheme	917,316,028.98	937,216,509.01
Bond investments	10,659,155.00	11,628,084.26
Equity investments in unlisted companies	910,100,285.69	661,871,769.23
Trust Industry Protection Fund	116,250,562.09	112,308,002.18
Investments in trust schemes	163,999,597.09	518,630,798.74
Bank wealth management	<u>15,705,786.39</u>	
Total	<u>4,372,519,376.33</u>	<u>4,506,454,958.18</u>

6 DEBT INVESTMENTS

Item	Book balance	Closing balance Impairment provision	Carrying amount
Principal	7,159,613,909.85	2,563,179,931.84	4,596,433,978.01
Accrued interests	<u>—</u>	<u>—</u>	<u>—</u>
Total	<u>7,159,613,909.85</u>	<u>2,563,179,931.84</u>	<u>4,596,433,978.01</u>

Item	Book balance	Opening balance Impairment provision	Carrying amount
Principal	6,813,114,600.48	2,321,985,255.43	4,491,129,345.05
Accrued interests	<u>17,822,396.37</u>	<u>1,695,137.34</u>	<u>16,127,259.03</u>
Total	<u>6,830,936,996.85</u>	<u>2,323,680,392.77</u>	<u>4,507,256,604.08</u>

7 LONG-TERM EQUITY INVESTMENTS

Item	Closing balance	Opening balance
Associates accounted for using the equity method directly invested by the Company	403,743,498.92	521,590,675.22
Enterprises invested by the consolidated structured entities	<u>319,638,687.35</u>	<u>322,478,427.00</u>
Total	<u>723,382,186.27</u>	<u>844,069,102.22</u>

8 OTHER ASSETS

Item	Carrying balance	Closing balance Provision for impairment/ decline in value	Carrying amount
Investment in artworks	48,890,766.81	25,600,488.74	23,290,278.07
Assets for debt settlement	63,201,943.06	2,064,588.45	61,137,354.61
Prepaid corporate income tax	72,239,051.84		72,239,051.84
Others	5,727.32		5,727.32
Total	184,337,489.03	27,665,077.19	156,672,411.84

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

9 SHORT-TERM BORROWINGS

(1) The category of short-term borrowings

Loan category	Closing balance	Opening balance
Borrowings from China Trust Protection Fund Co., Ltd.	280,484,583.34	974,779,055.55
Total	280,484,583.34	974,779,055.55

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

10 PROVISIONS

Item	Closing balance	Opening balance	Reason
Litigation compensation	<u>166,494,338.30</u>	<u>120,809,836.02</u>	<u>Litigation</u>
Total	<u>166,494,338.30</u>	<u>120,809,836.02</u>	<u>-</u>

Note 1: On 22 May 2023, the Intermediate People’s Court of Binzhou City, Shandong Province issued a judgment on the case of a private lending dispute between Shandong Qixing Real Estate Company (“**Shandong Qixing**”) and Rizhao Hainadijing Real Estate Co., Ltd. (“**Rizhao Dijing**”), Shandong Haina Real Estate Co., Ltd. (“**Haina Real Estate Company**”) and our Company, which upheld the first instance judgment that our Company shall assume the supplementary compensation liability for the payment of the loan principal of RMB100 million and related interest by Rizhao Dijing to Shandong Qixing. The Company has made provision for estimated liabilities of RMB129,730,171.24 based on the current progress.

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. In September 2024, the Higher People’s Court of Shandong Province rejected the retrial application. The Company has made provision for estimated liabilities of RMB5,003,578.02 based on the current progress.

Note 3: On 11 July 2024, the People’s Court of Donggang District, Rizhao City issued a first instance judgment on the case of dispute of shareholders damage to the interests of the Company creditors between Qixing Group Co., Ltd. (“**Qixing Group**”) and Haina Real Estate Company and our Company, which ruled that our Company shall assume the supplementary compensation liability for the portion of the debt owed by Rizhao Dijing to the plaintiff Qixing Group that could not be paid off. Our Company appealed against the judgment, and on 8 November 2024, the Intermediate People’s Court of Rizhao City issued a judgment, which upheld the first instance judgment. The Company has made provision for estimated liabilities of RMB31,760,589.04 based on the current progress.

11 OTHER LIABILITIES

Item	Closing balance	Opening balance
Receipt in advance	57,788,174.26	69,694,523.13
Other payables	769,526,006.33	834,874,346.83
Other liabilities	1,575,377,935.44	810,058,658.33
Total	2,402,692,116.03	1,714,627,528.29
(1) Receipt in advance		
Category	Closing balance	Opening balance
Deferred trustee's remuneration income	7,788,174.26	19,694,523.13
Advance receipts for debt transfers	50,000,000.00	50,000,000.00
Total	57,788,174.26	69,694,523.13
(2) Other payables		
Nature of account	Closing balance	Opening balance
Receipt in advance from borrowers	279,953,244.16	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	242,423,039.33	246,457,748.89
Others	19,698,021.97	27,024,750.97
Total	769,526,006.33	834,874,346.83

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 31 December 2024, the amount of the Trust Industry Protection Fund collected on behalf by the Company but unpaid was RMB280 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.

(3) Other liabilities

Item	Closing balance	Opening balance
Net assets attributable to third-party trust beneficiaries of consolidated structured entities ^[1]	870,563,503.44	806,900,452.66
Non-current funds provided by CTPF ^[2]	700,000,000.00	–
Interests payable to CTPF	1,522,500.00	–
Others	3,291,932.00	3,158,205.67
Total	<u>1,575,377,935.44</u>	<u>810,058,658.33</u>

Note 1: The net assets attributable to third-party trust beneficiaries of consolidated structured entities refer to the share of the net assets of the consolidated structured entities attributable to the third-party trust beneficiaries.

Note 2: According to the Notice on Promoting Cooperation between Trust Companies and Professional Institutions to Dispose of Risk Assets (Yin Bao Jian Ban Fa [2021] No. 55), in order to improve liquidity, the Company and China Trust Protection Fund Co., Ltd. (“CTPF”) engaged in business cooperation. As at the end of 2024, the Company had received non-current funds amounting to RMB700 million provided by CTPF.

12 NET INTEREST INCOME

Item	Year 2024	Year 2023
Interest income	-3,639,078.45	192,202,677.40
Including: Cash and bank balances	1,459,611.23	2,174,320.44
Loans and advances to customers	2,971,102.37	97,290,002.58
Debt investments	-14,538,716.01	77,542,831.74
Financial assets purchased under resale agreements	6,302,039.38	14,881,808.18
Other	166,884.58	313,714.46
Interest expense	52,630,891.79	91,967,774.36
Including: Short-term borrowings/long-term borrowings	46,721,590.98	51,153,566.63
Income attributable to third-party trust beneficiaries in consolidated structured entities	3,607,314.26	37,671,426.05
Other	2,301,986.55	3,142,781.68
Net interest income	-56,269,970.24	100,234,903.04

13 NET FEE AND COMMISSION INCOME

Item	Year 2024	Year 2023
Fee and commission income	459,426,322.53	771,124,666.23
Including: Trustee's remuneration	406,969,985.78	717,391,574.85
Other	52,456,336.75	53,733,091.38
Fee and commission expenses	4,320,806.66	5,002,965.26
Including: Guarantee fee	4,036,268.68	4,443,397.22
Other	284,537.98	559,568.04
Net fee and commission income	455,105,515.87	766,121,700.97

14 INVESTMENT INCOME

Item	Year 2024	Year 2023
Income from long-term equity investments accounted for using equity method	8,073,095.79	10,192,627.15
Investment income from holding financial assets	52,216,043.08	55,289,000.41
Investment income from disposal of long term equity investments	6,818,678.42	5,001,456.31
Investment income from disposal of loans and other debt investments	47,568.49	1,890,176.83
Total	67,155,385.78	72,373,260.70

15 GAINS FROM CHANGES IN FAIR VALUE

Source of gains from changes in fair value	Year 2024	Year 2023
Financial assets held for trading	417,433,816.70	228,094,670.75
Enterprises invested by the consolidated structured entities	-2,839,739.65	-15,354,497.00
Total	<u>414,594,077.05</u>	<u>212,740,173.75</u>

16 TAX AND SURCHARGES

Item	Year 2024	Year 2023
City maintenance and construction tax	1,258,693.51	3,113,327.12
Education surcharges	539,440.09	1,334,283.02
Regional education surcharges	359,626.71	889,522.02
Property tax	2,475,518.17	1,897,356.96
Stamp duty	1,145,856.08	993,654.24
Land use tax	154,787.58	122,918.56
Vessel and vehicle tax	4,950.00	4,950.00
Urban land use tax	13,781.76	
Total	<u>5,952,653.90</u>	<u>8,356,011.92</u>

17 BUSINESS AND ADMINISTRATION FEES

Item	Year 2024	Year 2023
Employee benefits	162,217,638.22	122,888,332.87
Depreciation and amortisation	60,326,553.49	57,180,915.46
Legal and professional fees	14,749,688.98	11,117,352.53
Network fees	18,514,325.19	17,895,001.36
Promotional expenses	4,846,604.90	7,003,332.72
Lease charges	6,252,141.30	7,960,763.57
Business hospitality expenses	3,310,207.40	5,656,292.70
Travel expense	3,944,967.44	5,942,465.94
Office expenses	1,003,874.46	3,103,589.72
Other	19,772,322.70	30,325,129.38
Total	<u>294,938,324.08</u>	<u>269,073,176.25</u>

Note: Among the legal and professional fees, the audit fees for the year were RMB943,396.23, and the audit fees for the last year were RMB943,396.23.

18 CREDIT IMPAIRMENT LOSSES

Item	Year 2024	Year 2023
Loss on bad debts of accounts receivable	-8,680,954.07	6,841,644.73
Loss on bad debts of other receivables	6,666,921.98	19,231,572.46
Impairment losses on loans and advances to customers	67,124,502.73	165,006,395.39
Impairment losses on debt investments	218,965,766.98	309,382,016.19
Impairment losses on investment in artworks	17,882,828.19	
Total	<u>301,959,065.81</u>	<u>500,461,628.77</u>

19 NON-OPERATING EXPENSES

Item	Year 2024	Year 2023	Amount included in non-recurring profit or loss for 2024
Compensation cost	81,007,902.28	120,809,836.02	81,007,902.28
Penalty cost		400,000.00	
Losses on retirement of non-current assets	35,013.56	921,832.93	35,013.56
Other	1,522.89	57.54	1,522.89
Total	<u>81,044,438.73</u>	<u>122,131,726.49</u>	<u>81,044,438.73</u>

20 INCOME TAX EXPENSES

Item	Year 2024	Year 2023
Income tax expense for the year	61,732,407.29	170,546,420.18
Deferred income tax expenses	9,066,670.84	-39,029,270.19
Total	<u>70,799,078.13</u>	<u>131,517,149.99</u>

21 DIVIDENDS

No dividends were paid, declared or proposed by the Company during the year ended 31 December 2024 (the year ended 31 December 2023: Nil), nor has any dividend been proposed since the end of the Reporting Period. The Directors of the Company have determined that no dividend will be paid in respect of the year ended 31 December 2024.

22 EARNINGS PER SHARE

(1) Basic earnings per share

Item	Year 2024	Year 2023
Net profit attributable to the ordinary shareholders of the parent company	142,794,885.05	158,633,546.72
Weighted average number of ordinary shares in issue	<u>4,658,850,000.00</u>	<u>4,658,850,000.00</u>
Basic earnings per share	<u><u>0.03</u></u>	<u><u>0.03</u></u>

(2) Diluted earnings per share

For the twelve months ended 31 December 2024, there were no potential diluted ordinary shares and therefore the diluted earnings per share were the same as the basic earnings per share.

23 EVENTS AFTER BALANCE SHEET DATE

As of the date when the financial report was approved for issuance, the Group had no significant events after balance sheet date.

12. THE AUDIT COMMITTEE

The Audit Committee has reviewed the accounting principles and conventions adopted by the Company with the management of the Company and the Company's external auditor. The Audit Committee has reviewed the annual results for the year ended 31 December 2024.

13. ARRANGEMENT FOR ISSUING CORPORATE COMMUNICATIONS ELECTRONICALLY

The Company has adopted an arrangement for the electronic dissemination of corporate communications. Please note that all corporate communications (including annual reports) in English and Chinese are only available on the Company's website (www.sitic.com.cn) and the Hong Kong Stock Exchange website (www.hkexnews.hk), with no printed versions provided. Shareholders should proactively check the Company's website and the Hong Kong Stock Exchange website to stay informed about the release of corporate communications. To ensure timely receipt of Actionable Corporate Communications (as defined in the Listing Rules), the Company recommends that shareholders provide their email addresses to the Company. The method for providing email addresses is detailed in the shareholder notification letter and reply slip published on the Company's website. If shareholders wish to receive the printed version of corporate communications, please complete and return the reply slip in accordance with the instructions contained in the shareholder notification letter and reply slip.

14. ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2024 PUBLISHED ON THE HONGKONG STOCK EXCHANGE'S WEBSITE AND THE COMPANY'S WEBSITE

The annual results announcement for the year ended 31 December 2024 is published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company's website (www.sitic.com.cn). The annual report for the year ended 31 December 2024 which contains all information required by the Listing Rules will be distributed to shareholders and published on the Hong Kong Stock Exchange's website and the Company's website in due course.

By order of the Board
Shandong International Trust Co., Ltd
Yue Zengguang
Chairperson

Jinan, the People's Republic of China
27 March 2025

As at the date of this announcement, the Board of Directors comprises Mr. Yue Zengguang as executive Director; Mr. Wang Zengye and Ms. Duan Xiaoxu as non-executive Directors; Mr. Zheng Wei, Ms. Zhang Haiyan and Ms. Liu Wanwen as independent non-executive Directors.