cutting through complexity

# Mainland China Trust Survey 2011

## Extending the reach of China's financial sector

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# Contents



## Acknowledgements

We would like to extend our appreciation to Trust for Fortune (信泽金), China Credit Trust, the China Trust Association, Sino-Australian International Trust, Law Debenture and the China Banking Regulatory Commission for their valuable assistance and industry executives who so generously contributed their time, knowledge, and insights to this report. We would also like to acknowledge the hard work of our key team members, William Wang, Francis Zhang, Gemma Wu, Merry Mei, and Scott Ingles.

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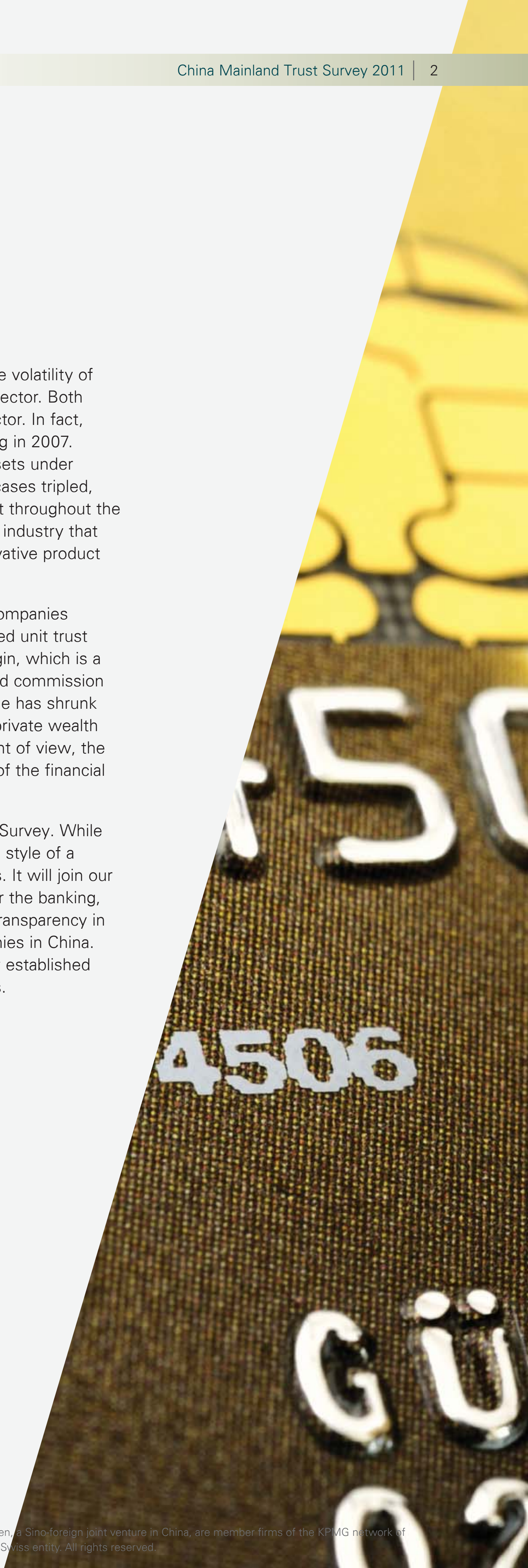
# Introduction

The years 2010 and 2011 have been notable for an increase in the volatility of China's capital markets and credit tightening within the banking sector. Both of these situations have, to an extent, benefited China's trust sector. In fact, 2010 was the best year for trust companies since their relicensing in 2007. They experienced unprecedented growth rates in profit while assets under management (AUM) for some companies doubled, and in other cases tripled, from 2009 to 2010. While this pattern was not entirely consistent throughout the sector, this can be expected during the introductory stages of an industry that is driven to respond to change and market demand through innovative product offerings.

The range and variety of products and services offered by trust companies has also seen dramatic improvement. The growth rate of combined unit trust products has outpaced general AUM growth by a significant margin, which is a welcome sign because these products generate far higher fee and commission income. Also, proprietary revenue as a percentage of total revenue has shrunk as trust companies have made the transition towards becoming private wealth managers and service providers. Overall, from a performance point of view, the trust sector is, by certain metrics, the most rapidly growing area of the financial services sector.

KPMG is delighted to release our inaugural China Mainland Trust Survey. While this is KPMG's third report on the trust sector, it is the first in the style of a survey inclusive of the summary financials of the trust companies. It will join our family of three other Mainland China financial services surveys for the banking, insurance and securities sectors. Testament to the high level of transparency in this sector, we have located 56 of the 65 registered trust companies in China. We expect this number to increase next year, covering the newly established trust companies which have not issued 2010 financial statements.



# What is a trust company?

## Definition and overview

What might be a mundane question in any other part of the financial services sector is quite difficult to answer in the context of a trust company. They are variously referred to as trust banks, trust companies, trust & investment companies and trust fund managers. All of these titles are accurate in their own way as these uniquely Chinese financial institutions combine characteristics from private equity, asset management and banking sectors – they should not be confused with how the term trust is applied in the West. Further complicating their definition is the fact that trust companies are ever-evolving entities. In fact, the economic and regulatory environment can precipitate significant changes in their profit drivers and business models over the course of a year. As a result, trust companies are very opportunistic in nature, rolling out new services in response to market changes.

In 2001, the issuance of *Trust Law* established the legal basis for the trust company. Yet, it was not until recent years that the trust sector has increasingly become a target of both foreign and domestic investors seeking to obtain a stake in China's rapidly growing financial services sector. This shift has been primarily brought about by regulatory changes instituted in January 2007, *Measures for the Administration of Trust Companies* and *Measures for the Administration of Collective Funds Trust Schemes of Trust Companies*, which sought to clarify the future development of the sector through the creation of standards that would reduce uncertainty.

Despite the accelerated development of the trust sector, it is still small compared with other areas of financial industry, with only 65 trust companies in existence by the end of June 2011. Statistics from the China Trust Association show that the AUM as of 2010 year-end was approximately RMB 3.1 trillion, compared with RMB 2 trillion in 2009 and 1.24 trillion in 2008. According to the annual reports provided by the 56 trust companies included in this survey, their total assets have increased to RMB 193 billion, up RMB 23 billion from 2009.

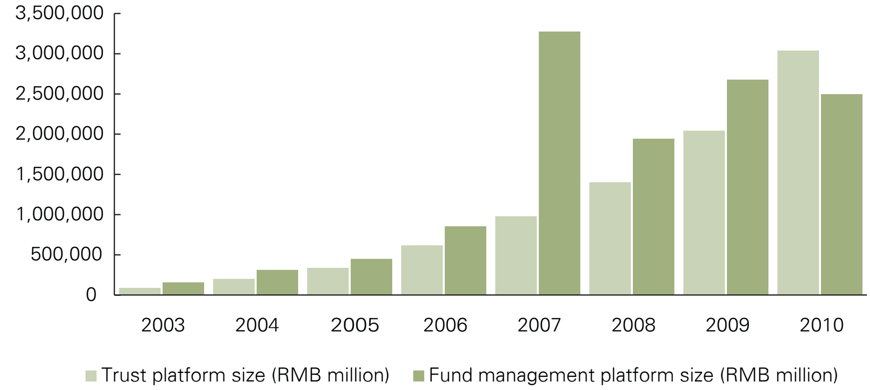
## The history of trust companies

The origins of China's trust sector stretch back to October 1979 with the establishment of China International Trust & Investment Co. (CITIC). From these beginnings, the sector saw unruly expansion, and by the end of 1992 there were 1,000 such entities.[1] Without the same level of regulatory constraint placed on other players in the financial sector, trust companies thrived. This is partly due to the fact that they were widely utilised by government bodies to invest in earmarked projects and channel capital into promising areas of the Chinese economy. However, their most common function was lending to construction subsidiaries in which the trust and investment company (TIC), as trust companies were known back then, would play the dual role of both the overseas and domestic partner.

1. China Hand, March 2006, Economist Intelligence Unit

During this period the problems and debt stemming from trust operations resulted in a number of bankruptcies, dealing a serious blow to the sector. Most notably, Guangdong ITIC (GITIC) declared bankruptcy in 1998, followed by Hainan ITIC (HITIC), which defaulted on USD 370 million worth of Samurai bonds. These bonds were owed to Sumitomo Bank and other Japanese creditors, causing considerable tension among foreign investors.[2] In 2000, the International Monetary Fund (IMF) estimated that the debt of Chinese trust and investment companies totaled between USD 12 billion and USD 20 billion.[3]

Comparison of trust sector AUM versus retail fund management sector AUM




Source: Wind Info

## The reforms of the trust sector

The People's Bank of China (PBOC), the central bank, served as the regulator of the trust industry until 2003. With mounting concerns about the stability of the sector, in 2000 the PBOC ordered all trust companies to stop their businesses and resubmit certification applications.

The following years saw the implementation of a number of new laws and regulations to increase the risk management and supervision of the sector. In October 2001, the *Trust Law* was released, and just one year later, in light of still unacceptable levels of risk, the PBOC released the *Provisional Rules on Entrusted Funds Management of Trust and Investment Companies*. These two laws attempted to reform the sector by improving regulatory oversight and establishing a framework for punishing companies operating outside of the law. As well, they dramatically limited the business scope of TICs. In particular, TICs were no longer allowed to borrow from abroad, guarantee minimum returns, or take deposits of any sort. Still, despite their dramatically reduced operating scope, TICs quickly rebounded.

The extent of this rapid growth, driven by promises of high returns, drew interest from the regulatory authorities, culminating in the CBRC taking over supervisory and regulatory oversight of the trust sector in 2003. By early 2004, it had launched investigations into several TICs. Three scandals emerged, with the default on one of Jinxin Trust and Investment's trust products causing the biggest stir.

2. Japan sees no progress in China HITIC settlement, 27 July 2001, *Reuters*
3. China finance – Beijing to clean up the trust and investment sector, 8 November 2000, *Economist Intelligence Unit*

In light of these scandals, the CBRC published numerous guidelines, including one requiring TICs to issue annual reports on their financial performance. As a result of this, by January 2005 the number of players had dropped sharply. Following continued reforms, in 2007 the CBRC succinctly described its aims for the sector as the following:

*"[the] objective of the new regulations is to motivate trust companies to evolve from being a financial platform into truly professional institutions entrusted to manage third party wealth, and encourage trust companies to reorganise and innovate business based on the needs of the market and actual operational situations, in order to aim for trust companies to develop into risk-controlled, legally compliant, innovative and competitive professional financial institutions within three to five years."*

# Regulatory changes

In 2007, the CBRC issued the *Measures for the Administration of Trust Companies* in order to restructure the trust sector as an investment vehicle for institutional investors. In addition, the CBRC published the *Measures for the Administration of Collective Funds Trust Schemes of Trust Companies* to define qualified investors, set restrictions on the promotion of trust products, and create requirements for the custodians of trust assets. These two regulations would reinvigorate the trust sector as a major force in China's financial industry.

Shortly after the 2007 reform, the CBRC released *The Trust Company Governance Guidelines* which required trust companies to set up corporate governance structures more in line with their peers in the banking sector. To comply, trust companies needed to create a board – comprised, in part, by independent directors – as well as internal audit and risk management committees. Other features common to companies with high standards of corporate governance were also required. Consequently, the corporate governance within trust companies has dramatically improved in the last few years.

Two years later, the CBRC announced a new revision that characterised investors with investments equal to, or in excess of, RMB 3 million as institutional investors, thus exempting them from the cap of 50 individual investors per product. The intent of these revisions was to foster trust companies as an investment vehicle catering to high net worth individuals (HNWI). Meanwhile, these regulations also limited the number of loans a trust company can make by weighing outstanding loans against the trust's AUM balance.[4]

Between 2009 and 2010, the trust sector experienced another period of accelerated development which concerned the CBRC about the sustainability of the risk management processes of trust companies. This prompted the CBRC to publish guidelines regarding higher risk trust investments in private equity, security, infrastructure, real estate, and bank-trust cooperation products. These issuances demonstrated the CBRC's emphasis on the reformation of trust companies into well-managed third party wealth management institutions.

In September 2010, one of the more significant regulations for the trust sector, the *Measures for the Administration of Net Capital of Trust Companies* was enacted.

## Criteria for investors in a trust fund

Qualified investors must now fall into the following categories:

- Individuals or organisations whose investment in a trust plan exceeds RMB 1 million
- Individuals or families who can prove their total financial assets exceed RMB 1 million during the subscription period
- Individuals whose proven annual income was in excess of RMB 200,000 during the three years prior to the investment, or together with their spouse had a combined income greater than RMB 300,000 during the same period

4. "The loans issued by trust companies cannot exceed 30% of AUM with the exception of CBRC approval"

As per the stipulations of this law, trust companies now need to report on, and apply certain risk weightings to AUM in their 2011 financial statements. In essence, this regulation was published to disincentivize loan-type products and ensure that each trust fund is sufficiently supported by capital. Perhaps not surprisingly, debt-trust products and equity investments with repurchase agreements in place have a higher risk weighting than those of investment products. Although there has been speculation tying these capital requirements with the idea that trust companies are liable for their products, it is much more likely that they are being used as an indirect approach to abate the breakneck growth of this sector. To see the product risk weightings, please refer to Appendix 2.

Since the trust companies' current net capital, by and large, cannot support a large increase in AUM, many managers will likely find themselves scrambling to raise capital. According to 2009 and 2010 annual reports, the registered capital of the trust companies surveyed was RMB 68 billion at the end of 2010, or, on average, RMB 1.2 billion per trust company, representing an increase of RMB 8.5 billion over 2009.

Calculation methodology for the administration of net capital of trust companies

| | |
|---|---|
| Net Capital | Equivalent to net assets minus total adjustment deductions based on proprietary loan and investment holdings (as per the weightings set out in the *Net Capital Calculation Sheet of Trust Companies*) |
| Risk Capital | Calculated by adding together proprietary assets multiplied by their risk weightings and AUM multiplied by their risk weightings (see Appendix 2 for risk weightings) |
| Risk control requirements | |
| • Net Capital | The trust company must have 200 million RMB in net Capital |
| • Net Capital/risk capital | The amount of risk capital cannot exceed net capital |
| • Net Capital/net assets | Net capital can be no less than 40% of net assets |

# Restructuring of trust companies

In March 2007, the CBRC required that trust companies achieve compliance with the new regulations and risk management guidelines within 3 years in order to be certified. As a result, between 2009 and 2011, 10 trust companies underwent restructuring and have been successfully relicensed, bringing the total number of registered trust companies at the end of June 2011 to 65. While it is likely that the sector will see some growth in the number of trust companies, industry experts expect that the ultimate number of trust companies will not exceed 72. For a complete list of all restructured trust companies, please refer to Appendix 3.

The CBRC also issued the *Guidance on Supervisory Ratings and Classified Regulation of Trust Companies* to better judge the performance of trust companies and rate them accordingly. The ratings are developed based on evaluations that focus on corporate governance structures, risk controls, regulatory compliance, asset management capabilities, and profitability of trust companies. With this information, regulators give scores on a scale of one to six, with six being the worst score and one being the best. Through less regulatory oversight, companies ranked one or two are encouraged to enter new markets and develop new services. On the other hand, companies ranked six have to undergo restructuring, while those ranked five are highly restricted in the services they can perform and must meet the CBRC on a quarterly basis. It should be noted that this information is not publicly available, and even the trust companies themselves are unaware of the ratings their peers have received.

# Trust fund products: Structures and product compositions

In the four years since the relicensing of the trust sector in 2007, the breadth and scope of trust products have expanded considerably. Although there is no standardised classification for the industry, and products under management can vary significantly from one company to the next, there have been efforts to categorise different types of products by industry and by product structure. While regulators have been careful not to place too many restrictions on the product development capabilities of trust companies, so as to avoid stifling their innovative development, they want a more transparent picture of the nature of products in the market. Also, regulators have made it clear that certain directions for trust product development are more desirable than others.

Trust products can be broken down by structure and investor profile into capital trusts – single and combined unit trusts – and property management trusts. Single unit trusts are defined as having one investor while combined unit trusts have two or more investors.[5] While this may seem like a mundane difference, it is essential to the nature of the service being offered. These classifcations do not differentiate according to the target or industry of the investment funds.

In particular, regulators have openly expressed their desire to see the trust companies make greater efforts to increase their portfolio of actively managed products while downsizing "channel-type," or passively managed products. There is no clear definition of passively managed versus actively managed products, but in essence, an actively managed product is one where trust companies maintain a higher level of control over their projects in terms of sourcing, development, due diligence, distribution and risk management. The logic behind this is that actively managed products will help to reduce systematic and portfolio risk while augmenting the services offered by trust companies. This is in stark contrast to the "channel-type" products which lack direct input or risk oversight from the trust company. As exemplified by the bank-trust cooperation products, these products emerge when

## Single unit trust

A single unit trust is a product offered to a single investor. In general, single unit trusts generate lower fee and commission income as the client, typically a large institutional investor, determines the products. These can range from low fee-paying bank-trust cooperation products and entrusted loans to higher fee-paying products where clients lay out their specific investment criteria.

## Combined unit trust

Combined trusts are products that are sold to multiple investors. Obviously, there is a flight to quality and competition can be fierce in this space, but the fees generated from these products are also significantly higher. Essentially though, the difference is that such products must draw in investors.

5. Trust company QDII investment management guidelines, 12 March 2007, *CBRC*

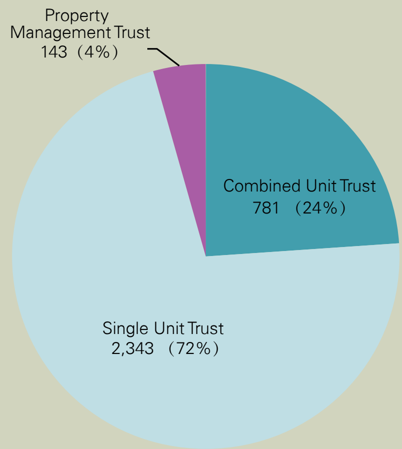
external companies leverage trust companies as a platform.

According to statistics published by the China Trust Association, at the end of the first quarter 2011, single unit trusts accounted for 72 percent of AUM, or RMB 2.34 trillion, of which RMB 1.53 trillion (down from RMB 1.66 trillion at year-end 2010) was bank-trust cooperation products – equivalent to 47 percent of total sector AUM. These latter products are, in a sense, "easy money" as they require little effort on behalf of the trust company. While the profit margins are minimal, yielding 0.03 to 0.1 percent, in high volumes they can represent a significant source of revenue. These products have been embraced by a good many trust companies, especially those which are less competitive. Clearly, this goes against the development plan for the sector as it neither benefits the goal of driving innovation nor does it improve the service offering of trust companies. Therefore, in part, the newly issued rules are aimed at disincentiving these channel-type and other high risk products by increasing their risk weighting.

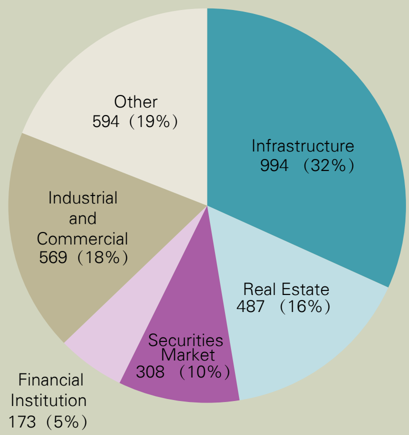
## Property management trusts

Property management trusts represent a very small share of trust sector AUM and are defined as the management of non-monetary assets. These can either be in the form of products for investors (i.e. a product structured around investing in the income rights to toll roads) or as a service provided to a client (i.e. managing refinancing risk over leases for an auto finance company). This type of trust product needs the support of more detailed regulation to advance its future development.

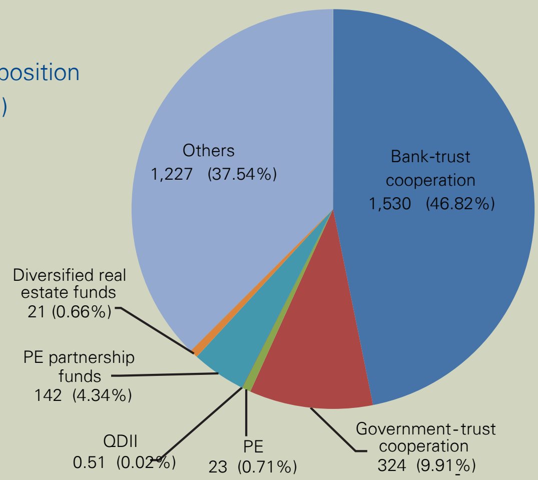
AUM product by type (2011 Q1, RMB billion)




Combined and single unit AUM by investment industry (2011 Q1, RMB billion)

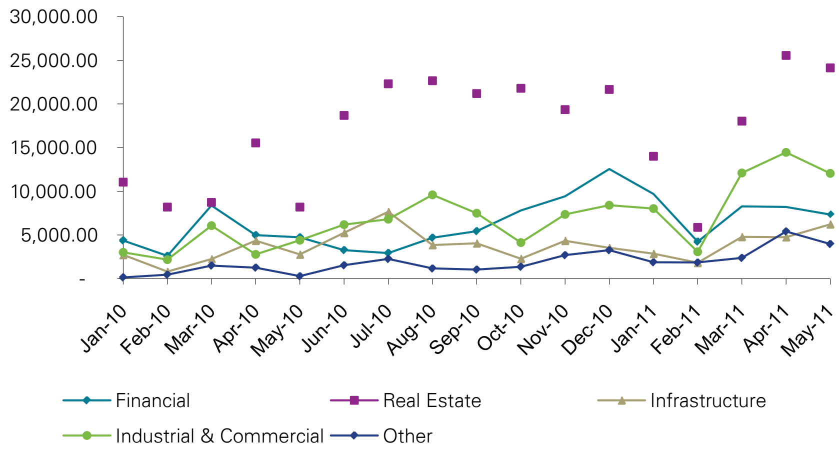



AUM by product composition (2011 Q1, RMB billion)



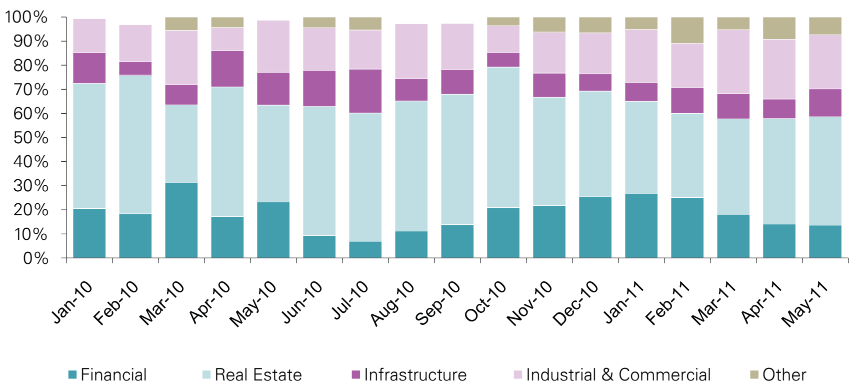

Source: China Trust Association

Distribution of combined unit trusts in different industries (RMB million)




Source: Use-Trust Studio

Combined unit trust investments by industry
(as a percentage of volume)




Source: Use-Trust Studio

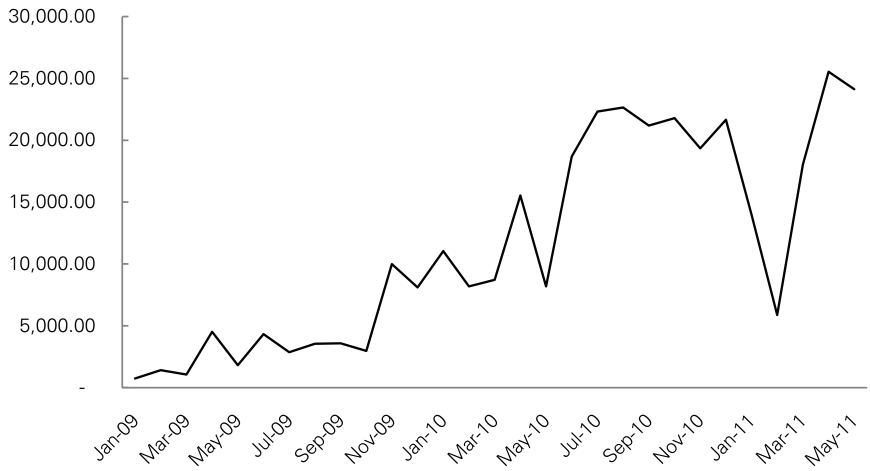
# Product profile: Main combined unit trust products

## Real Estate trusts

During 2009 and most of 2010, the real estate market in China reached unprecedented heights, the benefits of which trickled down to the trust companies that have become key sources of financing for real estate developers. In fact, some of largest increases in profit by trust companies were directly related to portfolios of highly successful real estate trust product offerings, which typically yield 12 percent or more to investors. According to data from Use-Trust Studio, real estate accounted for the largest portion of newly issued combined unit trust products in 2010. The below table illustrates the substantial increase of real estate trust products month after month.

The rapid growth of products in this area did not go unnoticed by regulators. In February 2010, the CBRC issued the *Notice to Trust Companies to Strengthen the Supervision of Real Estate Trusts* which required trust companies to pay greater attention to management of real estate project-related risks. Specifically, this regulation asserts that real estate developers must meet the "Four Pass" test and

Combined unit trust – Real Estate (RMB million)




Source: Renmin University of China, Trust and Fund Research Institution

can only seek trust financing for up to 65 percent of the total project cost (the other 35 percent would have to be from the developer itself).[6] Financing is also restricted only to those real estate developers that possess first or second degree qualifications – as per the *Qualification Measurements of Real Estate Developers*, real estate developers are graded on a ratings scale from one to four, with one being the best. To illustrate, a real estate developer with a second degree rating would need to meet requirements such as having registered capital of no less than RMB 20 million, three years of operational experience in real estate development and having constructed

6. The "Four Pass" rule stipulated that real estate developers must attain four separate licenses, the net effect of which was to tangibly prove their intention to develop the land in question, before sourcing trust financing

150,000 square meters of developments over the previous three years. The intent of this regulation was to avert the use of excessive leverage, and to prevent trust companies from lending to developers whose sole purpose was land speculation.

Nonetheless, the spiraling returns of real estate products led to a surge in real estate product issuances in the third quarter of 2010. Due to this rapid increase, the CBRC swiftly issued *Risk Alerts on Trust Company Real Estate Trust* in December of that year. The notice strongly advised trust companies to analyze the risk of their real estate projects in order to ensure compliance with current regulations. Although this notice did not require any explicit action, it was issued in an attempt to help stabilise the introduction of new real estate projects.

In addition to debt financing products for real estate developers, a large number of equity, income-rights, and hybrid debt-equity products were issued. In particular, the equity-type products, which bear a lower risk weighting, have seen substantial increases. This is likely due to the fact that equity investments are not subject to restrictions as stringent as those listed above for debt financing. When creating these products, trust companies generally take a large stake in the real estate project, allowing them to more actively manage on-site risk.

The other investment offered by trust companies is the income-rights trust product. Similar to the operational model of a REIT, this product invests in the beneficial rights to the receivables of assets. Compared with equity investments, these products can avoid certain administrative fees, while also benefiting from increased liquidity and lower operational costs. Combining equity and income-rights products gives trust companies a greater deal of flexibility, which they can use to tailor their investments to a specific project.

## Breakdown of combined unit real estate trust products by financing type

| RMB million | 2010 | | 2009 | |
|---|---|---|---|---|
| Product type | Volume | Percentage | Volume | Percentage |
| Loan | 28,941 | 14.52% | 14,143 | 31.49% |
| Equity | 71,817 | 36.03% | 11,093 | 24.70% |
| Income-rights investment | 47,280 | 23.72% | 9,913 | 22.07% |
| Hybrid debt-equity | 50,848 | 25.51% | 9,767 | 21.75% |
| Others | 425 | 0.21% | - | 0.00% |
| Total | **199,311** | **100%** | **44,916** | **100%** |

Source:Use-Trust Studio

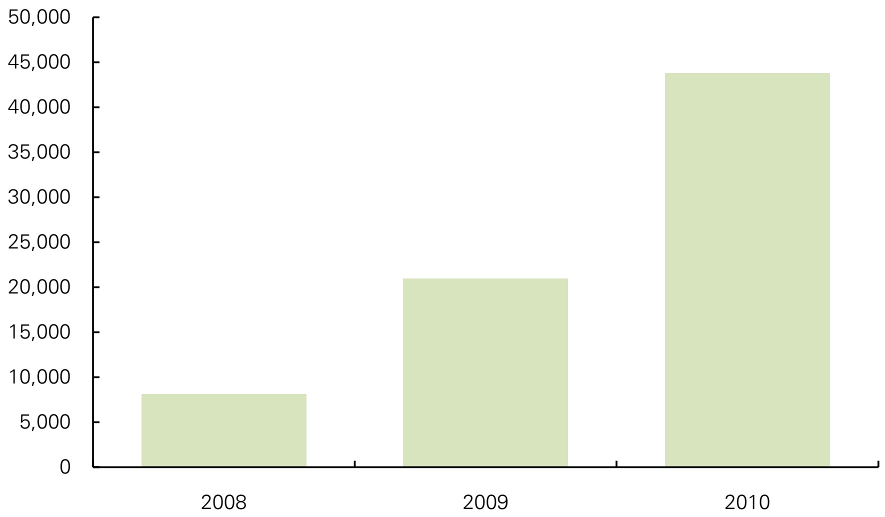
The issuance of so many regulations has made it clear that the CBRC is very concerned about the risks involved in these projects, and as a result, trust companies have begun to employ a number of risk mitigation measures including the following:

- Increasing collateralisation above the 100 percent mark
- Pledging the equity of unlisted companies
- Adding credit enhancements, such as credit guarantees
- Using specialised structures to reduce risk

The above measures reflect this sector's innovative approach to challenges and are indicative of its increasing maturity. A specific example that illustrates the increasingly creative risk mitigation capabilities of trust companies can be seen through the introduction of tranche structured products. In such a structure, the borrower or its related party uses its own funds to purchase the sub-prime tranche of a product, and the trust company offers its investors the primary tranche. While such a product would likely yield a lower return for trust investors, as there is a cap on the maximum return of the primary tranche, the risk is dramatically reduced. A case in point would be an RMB 1 billion project with an expected minimum return of 10 percent to primary tranche investors in which financing is split evenly between prime and subprime tranches. If the total project return was 20 percent, then the primary tranche investors would be limited to their 10 percent return plus a certain floating portion while the subprime investors would see a return of closer to 30 percent. Conversely, if the entire project only returned 5 percent the entire amount would accrue to the primary tranche investors. An example of this type of project is the *Juxin Huijin II Real Estate Combined Unit Trust* offered by CITIC Trust (which, interestingly enough, also contains a clause granting investors a discounted buy option on the finished properties, as well as priority purchase rights over other investors). Although some risk measures are preferred over others, many trust companies are increasingly incorporating numerous safeguards to keep risk at a minimum.[7]

7. *2011 China Trust Industry Status and Characteristics and Trend*, Renmin University of China Trust and Fund Research

Combined unit trust – Infrastructure (RMB million)




Source: Renmin University of China, Trust and Fund Research Institution

## Infrastructure trusts

Trust companies have historically played an important role in the infrastructure sector, which still represents one of the largest investment areas for trusts today. In light of the government's RMB 4 trillion stimulus packages launched in November 2008, trust infrastructure investments saw record growth in 2009 and 2010. Additionally, the *Notice on the Relevant Issues Supporting the Innovation and Development of Trust Companies* further fuelled infrastructure development by encouraging trust companies to finance public works projects in what are referred to as trust-government cooperation products.[8] The majority of these infrastructure investments are focused on second-tier and third-tier city construction due to the fact that, in many cases, these local governments are unable to secure sufficient financing for their infrastructure enterprises. Thus, some regional trust companies with ties to local government can rely on their relationships to help secure financing for these infrastructure projects.

While the government has identified trust companies as vital players in the development of infrastructure in China, there are concerns about the risk profiles of some of these funds, particularly those supported by implicit local (especially municipal) government guarantees.[9] Consequently, in November 2009, the CBRC published the *Guidance Forbidding Public Fund Raising with Local Government Guarantees* which strictly forbade local governments from providing loan guarantees. Although the issuance of this regulation has likely reduced the growth rate in the use of trust-government products, trust companies still have room to construct new product structures to finance infrastructure projects. While the returns on these trust products tend to be lower, they are in high demand as they are generally regarded as lower risk. Additionally, they offer more stable returns and can be used as a hedge against inflation (i.e.

8. Trust-government cooperation refers to the trust company cooperating with government financing vehicles on all government levels to help finance the projects.
9. 地方财政违规担保向社会公众集资搞基建，财政部紧急叫停，28 November 2009, *The First Financial Daily*

investments in essential infrastructure, such as water treatment plants, would yield stable cash flows as they are predicated on government-set rates that tend to move in line with inflation).

## Security investment trusts

Security investment trust plans invest across a range of different product types including structured securities, privately offered sunshine funds, as well as other securities listed on both the primary and secondary markets. However, compared to earlier years there has been a drop in primary market investments, which is likely linked to a number of different factors. In particular, the CBRC released a circular in August 2009, *Risk Alert on Trust Company Equity Trading Accounts*, which prohibited trust companies from opening new share trading accounts without first closing another existing account. This was rumored to have been prompted by certain trust companies opening multiple trading accounts in order to increase the probability of getting IPO shares. Likewise, the increased volatility in the A-shares market in the past few years has had a cooling effect on the enthusiasm for listed stock investing.

Partly in response to the limitations imposed on opening new accounts, many trust companies have embraced the trust of trusts (TOT) product. The TOT product is very similar to a fund of funds (FOF) product in that the trust company sets up a trust plan that invests in other existing security trust plans. Essentially, the TOT can be used to indirectly invest in the securities market in order to diversify investment risk. This type of product does not violate the 2009 regulations and is the origin of an increasing number of security investments.

Moreover, to the delight of their investors, some innovative trust companies have taken their experience in the securities market to create arbitrage security investment trusts. This type of product generates a profit by exploiting price differentials of related securities – such as short-term bonds, and monetary funds – on different markets. These include ETFs, warrants, convertible bonds and closed-ended funds. An example of such a product is *Arbitrage Number One*, which was developed by Industrial Bank, Guotai Junan Securities Company, and CITIC Trust. Despite the recent volatility experienced in the securities markets, *Arbitrage Number One* has been able to generate relatively stable profits by taking advantage of price differentials between ETFs and their individual stocks to earn risk-free returns.

Trust companies have also created new products in terms of investment targets. For example, CITIC Trust has produced *Gu Dai Shuangli I Security Investment Trust*, which is a portfolio that is invested in many different markets including the Shanghai and Shenzhen Stock Exchanges, the inter-bank bond market, and the Futures Exchange. Although the fund invests primarily in credit and monetary assets, a portion of the fund is also invested in industrials. This level of investment diversification takes full advantage of the trust companies' capabilities and is applauded by regulators.

Additionally, there are other trust plans that make private placements in public equities, commonly referred to as Private Investment in Public Equity (PIPE). These products involve the purchase of a shareholding in a listed company at a price that is at a minimum of 90 percent or more of the listed stock price.[10] The sellers are normally the company itself – which offers this as to avoid the complication of a public share issuance – or a strategic investor in the company looking to sell its stake without diluting the share price. *Diamond Number One*, which was implemented by Shanghai International Trust, is an example of this type of investment.

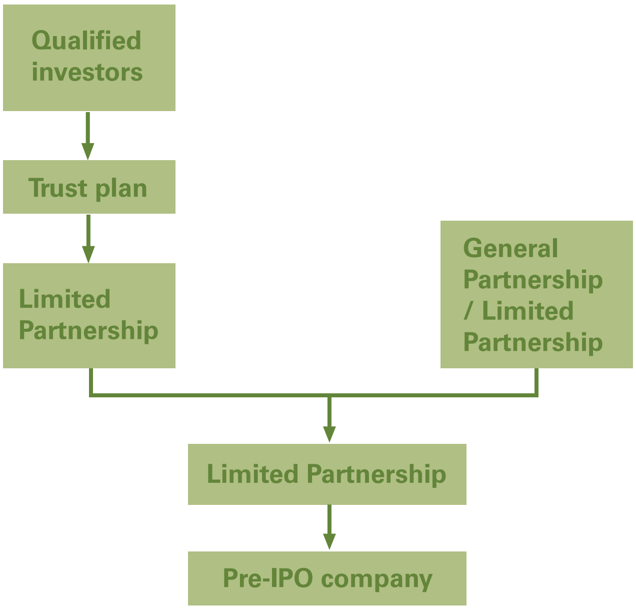
A final development in securities products that has generated significant interest is the cooperation between trust companies and Sunshine Funds, which are privately managed equity funds. The nature of this cooperation varies somewhat, but two key themes are clear. In the first instance, those trust companies with equity trading accounts act as a service provider to the sunshine funds by holding their funds in trust. In this role they provide various fund administration services, such as managing fund inflows and outflows, performance measurement, as well as applying certain risk management standards and limits (for example, the trust company ensures that stock trading is in accordance with specified risk management standards and that certain sector thresholds aren't breached; i.e. stock investments into real estate stocks do not exceed a defined percentage of the total stock trading portfolio). Trust companies can also act as a capital raising platform for sunshine funds, although for the sake of risk management, they will typically use a tranche structure – as was discussed previously – only exposing their own clientele to the primary tranche as a way to minimize risk.

## Private Equity investment trusts and SME financing

In 2008, the CBRC issued the *Guidance for Trust Companies to Operate Trust Private Equity Investment Business*, detailing the key operational guidelines for management of private equity (PE) investment trust products. However, in light of the restriction faced by trust-invested companies going public, trust companies have largely stayed away from PE investments as China is still by and large an IPO-exit driven market. While the reasons behind this restriction are not entirely clear, it is reasonable to assume that the lack of transparency in disclosing investors in a product is a point of contention. Nonetheless, trust companies may employ a number of methods to circumvent this restriction such as by signing a repurchase contract with the invested company to buy back the shares at a premium, or by transferring the shares to a related party in order to guarantee a return for their investors. A number of private equity trusts have chosen an alternative exit by selling through a property rights exchange center or the over the counter (OTC) market.

In terms of target profile, trust companies don't differ significantly from their peers in the private equity sector, tending to prefer either innovative enterprises in the high tech space or competitive companies that have a lead role in emerging industries. Specifically, the targets of these private equity investments are privately-owned small and medium sized enterprises (SMEs), a large number of which struggle to meet the rigorous collateral requirements that are necessary to secure

10. 定向增发投资的收益构建, 7 May 2011, *Securities Times*




bank loans. Trust companies target these companies because, unlike banks, they have the ability to design risk-mitigated debt, and hybrid debt-equity financing that suits the needs of individual SMEs. Also, to improve the efficiency and viability of this type of financing, trust companies often employ differentiated risk-based pricing techniques. This allows them to provide financing at a relatively high cost that is still competitive with the rate that SMEs would pay if they were forced to seek financing from private individuals or so-called "underground banks." Analysts often mistakenly assume that the high interest rate loans extended by trust companies, which can range from 12 to 25 percent, are priced for risk when in reality they are often well-collateralised, low risk loans. Examples of collateral that trust companies will accept include repurchase agreements, intangible assets, equipment, and receivables (commonly referred to as factoring).

Another option to direct PE investments is for trust companies to take a Limited Partner (LP) role in an existing PE fund. This has become an increasingly attractive option for trust companies as they can earn healthy margins and avoid the obstacles of developing their own PE products. The numbers bear out this fact. According to the China Trust Association, the amount of direct PE financing was RMB 23 billion compared to RMB 142 billion in PE partnership financing in 2010. This financing can take on a variety of structures, so it is difficult to pinpoint what constitutes LP financing products. As an example, some innovative trust companies have implemented a "PE + LP" model that may allow them to exit through an IPO. Investors of the pre-IPO company invest in a combined unit trust product which is then transformed into a limited partnership by the trust company. This LP can then partner with other investment funds to form a single limited partnership (LP). Although the LP assumes the power to make all management decisions, which is ideal from a risk management perspective, it is reasonable to assume that the trust company would still yield significant influence in such a situation.

Although this model can theoretically be used to circumvent securities regulations that limit the number of shareholders allowed to invest in pre-IPO companies, it may encounter some problems. First of all, there is no precedent for this model as a trust company has yet to execute the entire process and successfully exit via IPO. Moreover, this model may still violate exiting restrictions if the CSRC were to conduct strict inspections on the number of investors in the IPO.

Other factors that may undermine the adoption of this model include the double commission fees, market volatility, and long lock-up periods. The double commission fee charges – one from the GP and the other from the trust company – may alarm potential investors, as these fees will likely be charged regardless of the performance of the IPO. Meanwhile, during stock market downturns it is likely that the returns from IPOs will be greatly reduced, meaning that investors may have to wait longer to realize their return. By the same token, long lock-up periods may prevent investors from withdrawing their investment in short order.[11]

However, despite these uncertainties, in 2010 CITIC Trust and Xi'an International Trust set up the first PE investment partnership based on this model.[11] Whether this model successfully allows trust funds to exit through an IPO, the PE + LP model is a new innovation and a welcome sign of the trust sector's progress as it moves away from passively managed products.

## QDII

In 2007, regulators issued the *Measures for the Administration of Trust Companies' Overseas Financial Management Business* which permitted trust companies to apply for QDII licenses. A QDII license, which grants trust companies the right to invest abroad, is one of the most sought after licenses due to an increasing demand for overseas exposure. However, the application criteria are particularly rigorous. Trust companies are required to have no less than RMB 1 billion in registered capital, or the equivalent in convertible foreign currency. Moreover, they must have generated a profit and received good ratings by the CBRC over the previous two years. In addition to these quantitative elements, the CBRC has set a very high bar for the qualitative standards relating to the corporate governance and risk management processes. Currently, CITIC Trust, Shanghai International Trust, Ping An Trust, Zhonghai Trust and China Credit Trust are the only trust companies that have obtained QDII licenses. In 2010, Shanghai International Trust became the first trust company to launch a QDII trust fund product. This fund invested in stocks and bonds that were listed in Hong Kong.

Of those five companies have obtained QDII licenses, three have been approved for their quota. Interestingly, the flexibility that trust companies enjoy in product development in the Mainland also extends, to an extent, to the operation of their QDII quotas. China Credit Trust, Shanghai International Trust, and Zhonghai Trust have reportedly begun to enter into cooperation with overseas hedge funds and other third party institutions in order to launch QDII products. These companies

11. The trust PE + LP model may have trouble meeting the requirements of regulations, at least in the short term, 19 October 2010, China Daily Financial News 《每日经济新闻》

# Law Debenture The Law Debenture group

**Carmen Lai**
Director, Law Debenture China Limited

Headquartered in London and also operating in New York, Law Debenture has had an office in Hong Kong since the 1970s and has taken a pioneering approach to the provision of western style trust services in mainland China.

Carmen Lai, the Director in charge of Law Debenture's various businesses in South East Asia explained: "Following our historic experience in Hong Kong of providing M&A-based trust and escrow services to assist with foreign direct investment into China, we saw that western style trust services could be used in China itself to great advantage. Accordingly, in order to be able to import the use of western style trust services into mainland China services under PRC law, we established a unique co-operation agreement with one of China's leading trust corporations, Jiangsu International Trust Corporation Limited, ("JSITC")."

She added that:" The value of western style trust services to Chinese trust companies is not that they will change their core businesses but they could complement them. JSITC was the one that was most convinced of the value of importing established and proven trust structures for application domestically under the ambit of PRC trust law but saw also the benefit to the Chinese economy by using these products to assist Foreign Direct Investment, particularly in sectors favoured for such purpose by PRC Government. Similarly they recognised that the same trust services can be used in connection with the volume of purely domestic M&A transactions taking place every day. The simple essence of the trust concept is no different under PRC trust law and they saw that there is no reason why the same western style trustee-services cannot be operated in China also."

The trust concept is simple but very elastic and dynamic; experienced trust-practitioners have devised and continue to establish effective trust-based solutions to provide protection against future uncertainty or to deal with a whole variety of commercial problems that might otherwise have prevented an underlying transaction from proceeding."

Regulations in PRC may place a limit on the maximum percentage of the shares in a Chinese company that may be held by a foreign investor. With the approval of the Regulator concerned, voting trusts, where the underlying economic benefits deriving from the shares are separated from the attendant voting-rights, can be used to make possible an investment by a foreign investor who will receive an agreed share of the profits but a correspondingly lower share of the voting-rights.

A share lock-in trust could be used if the owners of a PRC company wanted a foreign investor in their company to demonstrate their commitment by agreeing that their shares would be held by a trustee for an agreed period. Similarly, in the case of a joint venture, each party may wish to use such a trust to prevent the other from selling-on their investment for a specified time with a power of attorney granted so that rights deriving from the shares could be exercised as if they were the legal owner apart from the power of sale.

A company acquiring or investing in a business in China may wish to hold back some of the payments due to the vendor unless certain conditions are met at a future date. In each case pending the outcome, neither party wishes the other to have control over the money representing the deferred payments.

Rather than place funds with a notary or to use a bank account under the dual control of both parties, it is preferable for the parties to use an escrow agent, an independent third party of good standing who they can both trust to look after the money pending release or return in accordance with the underlying commercial agreement between the parties.

"I could go on with many more examples but I think that the important point is that the trust concept is very flexible and has many useful positive applications in the hands of an experienced trust company. No doubt we will continue to have clients coming to us with new problems and we will use the trust concept to provide new solutions, both in China as well as in our historic markets."

Asked how the provision of western style trustee services in China under local law would work in practice, Carmen Lai explained: "JSITC is a highly reputable and very experienced trust company, fully authorised to provide these services under PRC law and able to deal at a local level with the Chinese parties to each trust as well as all of the relevant agencies, banks and service-providers as necessary. Law Debenture has experience of devising, establishing and operating such trusts and, as a well-known name internationally with bi-lingual staff, will also be able to act as the primary English-speaking interface with foreign companies using such services as part of the process of Foreign Direct Investment into China. Working together we are committed to drawing upon our respective skill-sets to ensure that the proven trust services that have been used for many years outside China can be used for the benefit of Chinese companies who will have never used them before and to assist in making deals happen by providing solutions. As we enter into further transactions in China we anticipate that the inherent value and flexibility available from western style trustee services will start to become more apparent to Chinese companies involved in domestic M&A transactions as well as to those that are recipients of investment by foreign companies and the foreign investors themselves."

have worked together to establish specialised accounts that require registration with the CBRC and a minimum investment of RMB 10 million.[12]

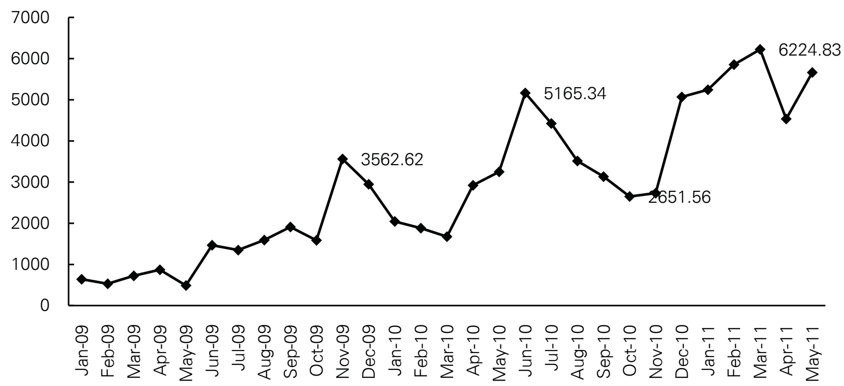
Additionally, trust companies have begun developing their QDII products without the aid of foreign third party institutions. Although regulatory authorities have largely approved their business model, they agree that additional surveillance and regulation are necessary. Nonetheless, this is seen as a positive signal encouraging the development of China's capital markets. According to the China Trust Association, by the end of the first quarter in 2011, the balance of QDII trust products stood at just RMB 515 million. Although this only forms a 0.02 percent stake of total AUM, QDII products are clearly an attractive addition to the product offerings of trust companies.

# Bank-trust cooperation products

In December 2008, the CBRC issued its first guidance on bank-trust cooperation, entitled *Guidance on the Business Cooperation between Banks and Trust Companies*. This defined the role of the trust company as a trustee – the manager of private wealth assets – to its cooperating bank. With their extensive branch networks and large client bases, banks are well placed to offer wealth management services to retail clients, while trust companies can help create tailored wealth management products. By utilising these party-specific benefits, the logic was that both banks and trust companies could mutually benefit.

Despite these advantages, the reality has been different, with the main product of this cooperation being the development of securitised bank loan wealth management products (largely referred to as "Bank-trust cooperation products"). In 2008 and 2009, the assets underlying the wealth management products were

Bank-trust product issuances (RMB 100 million)




Source: Use-Trust Studio

primarily loans originated by the bank itself. The process behind this started with the bank taking a selection of high quality loans from its loan portfolio and, through a trust company, repackaging them into a wealth management product, which was then sold to bank clients. By 2010 though, the structure behind these

12. First overseas QDII product launched, 28 December 2009, *21st Century Business Herald*

products changed somewhat, and certain wealth management products were created not through the bank repackaging its own loans, but through new, low-risk loans granted by the trust company at the behest of the bank. Open-ended wealth management products, where the underlying assets are composed of loans, bonds and rights to equity, have also appeared and are attractive due to their higher liquidity. In essence though, the main driving force behind the bank-trust cooperation products has been to retain hard-to-please high net worth depositers and to draw in new depositers in a market where explicit competition on deposit rates is not permitted. Tellingly, the yield on these products has tended to be quite modest, typically yielding between 2.5 and 5 percent (but which is very attractive compared to current demand deposit rates). Yet, the rapid growth of this product line and the off-balance sheet nature of many bank-trust products invited negative media speculation on what is now widely referred to as China's "shadow banking" sector. However, some of the reporting on this topic has been off the mark on certain points. The following discrepancies were noted:

- All of the bank trust loans were off-balance sheet for the banks.
  - The reality is that some of these loans were not taken off balance sheet, particularly if the bank provided any capital guarantees to the investors of the wealth management products. In such cases, they would be unable to meet PRC GAAP criteria for derecognition of assets, which requires them not to retain the majority of risk or reward to the asset in question.
- The size of this market was in the RMB trillions.
  - Many analysts dramatically overestimated the size of this market by only adding up all newly issued bank trust cooperation products, while failing to factor in redemptions.
- The loans underlying the wealth management products were composed of high risk real estate and non-performing loans comparable to the Triple A securitised mortgage loan products in the United States in 2008.
  - The portfolios of loans underlying the wealth management products were almost always composed of the top quality loans of the banks. The fact that yield rates on these products never exceeded the benchmark lending rate was indicative of this fact.
- The loans underlying the wealth management products were somehow lent into the real estate sector by the partner trust company.
  - In theory, the trust companies are the parties that are supposed to manage the funds underlying the wealth management products, which is what was stipulated by the CBRC. In reality though, management of these funds was never really at the discretion of the trust companies, as the products were fully sold through the banks' own distribution channels to bank clients.

Nonetheless, regardless of how safe the loans may indeed be, it would be hard to imagine that banks would not bear a certain level of residual risk (also know as reputational risk) to these loans if they became non-performing, as they are being sold to the banks' own clients. Additionally, the fact that they contradict the goal of developing trust companies into innovative financial institutions made them unfavourable to regulatory authorities.

Although a number of new regulations were issued throughout 2009 and early 2010 to tame the growth of these products, they did not fully achieve the desired results. In response, starting in the middle of 2010, the CBRC issued a series of new regulations which set out very specific restrictions to limit the growth of these channel-type products. This culminated in the most onerous regulation in January 2011 whereby the CBRC required banks to bring all financing-type (e.g. loans, financing through equity) off-balance sheet bank-trust cooperation products back on balance sheet by the end of 2011. In a case where the assets cannot be brought back on balance sheet because of conflicts with accounting rules, necessary provisions will be required. At the same, trust companies are also being subjected to certain stringent requirements with concern to business size and risk capital, which will certainly limit the development of this product line after 2011. There has already been a sizable drop in the volume of these products between 2010 year-end and first quarter 2011.

The purpose of the CBRC's regulations is not to inhibit cooperation between banks and trust companies. Rather, the hope is that trust companies can, with correct management, provide value-added wealth management products with appropriate risk profiles to bank customers. In the long term, trust companies can take advantage of the bank's well-developed channels to provide low risk products to retail clients of the bank. Alternatively, trust companies can use the client resources that private banking functions have in order to help market their products to HNWIs.

# Sector profitability and performance measurement

Following its relicensing in 2007, 2010 was the trust sector's best year. While some trust companies did experience significant drops in profit, this was often due to a combination of failing to grow fee and commission income coupled with a sudden drop in proprietary investment income. Nevertheless, on the whole, the trust sector experienced high rates of profit growth.

The key profit driver for the sector was clearly the growth in fee and commission income which now accounts for an average of 62 percent of total sector income (compared to 53 percent in 2009). This bodes well for the sector, as it demonstrates the transition that trust companies are making into becoming service-oriented third party wealth managers. More positively, this growth in fee and commission income was largely a result of increases in combined unit trust products.

Among the more notable standouts was Sino-Australian Trust, which from 2009 to 2010 saw its net profit and fee and commission income grow by 472 percent and 771 percent respectively. Other high growth firms included New China Trust, Jingu Trust, Zhongrong Trust, Xi'an International Trust, and the newly established AVIC Trust.

It should be noted that profit in itself is not the best metric by which to assess the performance of a trust company, as it can be distorted by high levels of low fee-paying, unsustainable AUM or proprietary income. By applying heavier risk weightings to various asset classes for investments or loans made using proprietary capital, regulators have made clear they do not want to see excessive reliance on proprietary trading revenue. For these reasons, the measurement of performance within trust companies is relatively more complex in comparison to other financial institutions. Unlike banks, which can be assessed on a limited number of standardised metrics (i.e. capital adequacy ratio, loan to deposit ratio, or non-interest income to interest income ratio), trust companies can be assessed on a wide range of performance measurements. Thus, profit is better analyzed in the context of AUM and fee and commission income as these are more stable, robust indicators. For example, a high ratio of fee and commission income to AUM is indicative of higher fee-earning assets under management (i.e. actively managed combined unit trust products) as opposed to lower fee-earning assets (i.e. entrusted loans between two entities or bank trust cooperation products). This is a key performance metric, as the growth in these assets represents the increasing competitiveness of a trust company's product development capabilities.

Meanwhile, an important non-financial indicator is the diversification of a trust company's AUM across various industries (the normal classifications are Industrial & Commercial, Financial Institutions, Infrastructure, Real Estate, Securities Market, and Others). However, the presence of bank-trust cooperation products makes any analysis of industry breakdown less meaningful. Significant amounts of bank-trust products may underplay or overemphasize a trust company's exposure to certain industries because it is not really the trust company that bears the risk to these products, as was explained previously. In other words, a bank-trust cooperation product composed of securitised loans from major Chinese telecoms companies would not represent an actual telecom sector exposure for the trust company. However, where such data can be accurately analyzed, excessive exposure to one industry may leave a trust company subject to certain degrees of regulatory risk (an example being the sudden high capital requirements on real estate sector debt financing) or ill-prepared to respond to sudden shifts in the economy in terms of skill sets and relationships.

# Proprietary Business

As illustrated by the financial information of trust companies in 2010, the historical reliance on proprietary income has largely given way to a business model much more focused on fee and commission income. Going forward, the implementation of the net capital requirements in 2011 will further push this transition. However, there is no reason that trust companies with robust risk management systems and a well-managed, transparent proprietary trading function should not seek to benefit from active proprietary lending and investing.

A common assumption surrounding the proprietary trading activities of trust companies is that they are driven by risky lending and share trading. In fact, the most common investments are long-term equity holdings in other financial institutions, followed by securities investments, direct lending, and investing in one's own products (which is capped at 20 percent per product). Clearly, these strategic stakes in financial institutions, many of which are legacy shareholdings prior to 2007, represent safer asset classes. Examples of these strategic stakeholdings include Guoyuan Trust's shareholding in Guoyuan Securities, China Credit Trust's investment into Harvest Fund Management, Jiangsu Trust's shareholding in Bank of Jiangsu, and CITIC Trust's investment into Taikang Life. In some cases the trust companies themselves are dwarfed by these investee entities. As the impact of the new capital requirements falls into place, it is uncertain whether these holdings will be wound down or remain stable.

Lending also accounts for quite a significant proportion of trust companies' proprietary business, with interest income representing, on average,10 percent of total revenue. However, there lies significant variance between trust companies. While some made no loans at all, one trust company earned 64 percent of its total revenue through propriertary interest income. However, given the new risk weighting requirements, it is likely that direct lending using proprietary capital will be stymied to some extent (refer to Appendix 2).

# Trust product investors

According to a report by China Merchants Bank and Boston Consulting Group, personal holdings of investable assets in China reached RMB 62 trillion by 2010 year-end, representing an increase of approximately 19 percent from 2009. Of these investable assets, RMB 15 trillion is held by roughly 500,000 HNWIs. These individuals, defined as possessing RMB 10 million or more in investable assets, invest an average of RMB 30 million.

Currently, due to sophisticated risk preferences, HNWIs are driven to maximise portfolio returns through more diverse asset allocations and wealth management strategies. Thus, since the beginning of 2011, investment in traditional categories such as stocks, bank deposits, and mutual funds have declined. Instead, HNWIs and institutional investors have been transitioning their wealth into real estate, PE funds, and trust products as well as continuing to manage a portion offshore.

Presently, China's wealth management sector is quite diversified with participation by a large number of entities which either create product, distribute product or do both. These include commercial banks, private banks, securities companies, fund management companies, third party independent financial advisors (often referred to as IFAs and include companies such as Noah Private Wealth Management, HowBuy, etc.), and trust companies. Private banks are still the lead player in this space, relying on the vast client base of their parent banks in order to achieve a dominant position.

The question remains: can trust companies compete in this space? As it turns out, they have a strong advantage when it comes to meeting the risk preferences of individual clients. They can create high risk, high return products that can offer double digit yields, or they can produce low risk, low return products that still

offer highly competitive returns compared to other products on the market. A number of trust companies have even responded to the competitive challenges in the market by setting up specialised private banking units with dedicated relationship managers for their HNWI clients.

However, according to the same survey by CMB, just 8 percent of HNWIs reported that they invested in trust products. This clearly indicates that trust companies have a vast market of untapped clients at their doorstep. Yet, tapping into this client base is not as simple as just offering products with attractive returns. Trust companies must vastly enhance the quality of their customer service in order to deepen their relationships and lock in long-term clientele. To do this, they should look to provide a wider range of services including wealth planning, financial advisory, deal structuring and other services to fully meet the needs of such a diverse client base. Additionally, by restructuring certain operational aspects of their business – especially their information systems – trust companies would be much closer to becoming true financial service providers. Finally, trust companies must look to the market for more value-enhancing partnerships, perhaps with retail fund managers, credit guarantee companies and insurance companies.

# Future opportunities for trust companies

## Trust company listings

When compared to other areas in the financial services sector, particularly insurance and banking, there have been remarkably few trust company listings. The last one occurred in 1994, and currently only two trust companies, Anxin Trust and Shaanxi Trust, are listed.

However, when considering the possibility of a listing, it is important to keep in mind that certain aspects of trust companies' business give regulators good reason for pause. For instance, proprietary revenue still represents a large portion of total revenue for trust companies and, as a result, may pose a stumbling block to their listing plans. This is due to fears that the funds raised on the capital markets will be used to make further proprietary investments. Along the same lines, there are questions concerning the benefits that extra capital could provide trust companies. Tellingly, retail fund management companies in China are all unlisted entities.

Despite this, given the increasingly diverse nature of their business and the issuance of *Measures for the Administration of Net Capital of Trust Companies*, trust companies are increasingly going to find themselves in a position where new capital needs to be raised. This should leave them better placed to make a stronger case for an IPO, as it may be necessary to sustain their business. In order for this to become a reality though, new regulations may have to come into effect.

## REITs

REITs are collective investment schemes (normally in the form of a unit trust) that aim to deliver a source of recurring income by purchasing the rental streams, or income rights, to a portfolio of real estate investments such as shopping malls, industrial and office buildings, hotels and residential property. REITs are attractive to investors as they offer access to a relatively stable income stream that tends to increase in line with inflation. This is in stark contrast to direct real estate investments where returns are largely reliant on the capital gains of the underlying assets.

Listed REITs have yet to gain significant traction in the mainland market, but some trusts have already begun engaging in unlisted REITs. At the same time, many trust companies are preparing for new regulations that will fully introduce REITs in China, particularly ones that can list on the domestic exchanges. However, the obstacles facing the development of a REIT market in China are considerable. In particular, there are no specific laws on the taxation of revenue from REITs or on which authority would have regulatory supervision over them. Further complicating matters is the fact that the tax bureaus of individual provinces and cities can be inconsistent in their interpretation of tax rulings. Moreover, the very nature of property rights and property rights registration in China make any transfer of beneficial rights out of a real estate property a very complex process. Nonetheless, the recent listing of the RMB denominated *HuiXian Real Estate Investment Trust*, the underlying asset of which is Oriental Plaza in Beijing, by Hutchison Whampoa on the Hong Kong stock exchange is a welcome development.

In 2010 and 2011, there have been various discussions and announcements about permitting REITs so long as the underlying assets were social housing projects. In theory, real estate developers would be encouraged to invest into social housing projects by the implicit promise of access to capital through a REIT, while trust companies would benefit from being able to gain access to a long sought after line of business. However, there has yet to be any concrete steps taken to make this a reality.

## Charitable trusts

The publication of the *Measures for the Administration of Trust Companies*, allows trust companies to create "charitable trusts" in order to serve the public, a particular interest group, or a charity organisation's financing needs. It is duly noted that these charitable trusts cannot be used to benefit a single person, nor any non-public interest.[13]

Usually, charitable trusts operate using independent, closed-fund accounts. The return from this investment, after deduction of management fees and commission fees, is directed to an account earmarked for public projects. Under specific circumstances, such as a catastrophic natural disaster, this account can be used to finance projects such as school and orphanage reconstruction. The risks borne by trust fund advisors are closely monitored by regulators in order to ensure that the value of each charitable trust is preserved.

13. www.charity-trust.com

Demonstrating the charitable trusts' viability and great service to the public, *Xi'an Trust 5/12 Earthquake Relief Charity Trust Scheme* closed, successfully contributing to the reconstruction of Wenchuan after the May 12th earthquake.

## Alternative investments

Trust companies have also begun developing alternative investment trust plans in widely divergent asset classes ranging from wine and art through to tea, antiques, and precious metals. In December 2010, CITIC Trust issued the first art trust product, which was listed on the Shenzhen Property Exchange Center. By the first quarter of 2011, there were four such products on the market, each with an expected yield of between 8 and 10 percent.

Currently, the market for these alternative investments is comparatively small and far from mature. It is also unlikely that demand for these products will see rapid growth rates comparable to that of many other trust products due to the comparatively high requirements and liquidity risk. This should come as no surprise as these products are designed to service the needs, and one might even say vanity, of certain clientele. For those nouveau rich Chinese with a deep understanding of art or wine, these products are an attractive investment option. Notably, upon expiration of the trust plan, the underlying investment can often be transferred directly to the client – a result that may indeed be well received. Once more, this reflects the flexibility that trust companies can employ to satisfy their clients' investment needs.

## Strategic partnerships

With the rapid development of this sector, it is no surprise that trust companies have become a target for strategic investments and partnerships by financial institutions, both foreign and domestic. However, the growth potential of this sector alone does not fully encapsulate the attraction of trust companies to strategic investors. Moreover, with the recent restructuring and relicensing of a number of dormant trust companies, many major state-owned companies – particularly those in the natural resources sector – have become key shareholders in trust companies.

For a major state-owned enterprise (SOE), investing in a trust company gives it a platform with which it can develop its own in-house financing solutions as well as provide project financing to its suppliers and partners. This eases some of the difficulties of project financing and, while not necessarily always the cheapest source of financing, it can be structured to meet the specific needs of a project. Additionally, the trust company can also provide investment channels that can be used by the SOE to switch out of low interest paying bank accounts into higher yielding trust products while still maintaining a low risk profile.

For financial institutions there is a great deal of synergies that can be realized with trust companies. The licenses of trust companies give them access to a wide selection of asset classes, including hard-to-access areas such as private equity, real estate and alternative investments. Moreover, these licenses grant trust companies the flexibility to offer a much more comprehensive range of financial products and

## Domestic finanacial strategic investors

| Trust company | Strategic investor | Size of stake |
|---|---|---|
| Ping An Trust | Ping An Insurance (Group) Company of China | 99.88% |
| Huarong International Trust Corporation | China Huarong Asset Management Corporation | 97.50% |
| Jingu Trust | China Cinda Asset Management Corporation | 92.29% |
| Bank of Communications International Trust | Bank of Communications Corporation | 85.00% |
| Kunlun Trust | CNPC Assets Management Corporation | 82.18% |
| China Construction Bank Trust | China Construction Bank | 67.00% |
| Huaneng Guicheng Trust Corporation | Huaneng Capital Services Corporation | 65.38% |
| China Industrial International Trust Limited | Industrial Bank Corporation | 51.18% |
| China Fortune International Trust Corporation | China Huadian Financial | 49.00% |
| Daye Trust | China Orient Asset Management Corporation | 41.67% |
| China Credit Trust | PICC | 32.92% |
| Yingda International Trust Corporation | China Energy Power Financial Corporation | 6.33% |
| COFCO Trust Corporation | COFCO Financial Services | 5.00% |
| China Foreign Economy and Trade Trust Corporation | Sinochem Finance | 3.78% |
| Tibet Trust Corporation Limited | China Merchants Bank | Pending approval |
| Yunnan International Trust Corporation | Everbright Holdings | Pending approval |
| Jinxin Trust & Investment Corporation | China International Capital Corporation (CICC) | Pending approval |

## Foreign Financial strategic investors

| Trust company | Strategic investor | Size of stake |
|---|---|---|
| China Industrial International Trust | National Australia Bank | 20.00% |
| Founder BEA | Bank of East Asia | 19.99% |
| Zijin Trust | Sumitomo Trust and Banking | 19.99% |
| Suzhou Trust | The Royal Bank of Scotland | 19.99% |
| Beijing International Trust | Ashmore Investment Management | 19.99% |
| Hangzhou Industrial & Commercial Trust | Morgan Stanley | 19.90% |
| Sino-Australian International Trust | Macquarie Capital | 19.90% |
| New China Trust | Barclays Capital | 19.50% |

services than other financial institutions. The focus of trust companies on high net worth individuals and institutional investors is also particularly appealing, as these two customer segments represent a market with untapped potential. Despite these advantages, the limited distribution capabilities, lack of a long term track record, and difficulty of attracting a significant talent pool all represent significant bottlenecks for trust companies. However, financial institutions looking to make a strategic investment in a trust company can compensate for these disadvantages. Thus, by combining the strengths and flexibility of trust companies with other financial institutions or their product offerings, trust companies can become remarkably complementary institutions.

With other institutions, such as leasing companies or auto finance companies, trust companies can assist in the securitisation of leases, as well as the management of refinancing risk. Being able to do this certainly helps trust companies alleviate the liquidity hurdles that these companies have recently been confronting.

# Additional business lines for trust companies


## Insurance infrastructure funds

In light of a desire to promote investment diversification, the China Insurance Regulatory Commission (CIRC) released a regulation in 2006 permitting insurance companies to invest premiums in infrastructure trust products. The relatively strict criteria and minimum capital thresholds required for approval to engage in such a business line would seem to indicate that there are sensitivities in opening trust infrastructure products to insurance investment. More problematically, other financial institutions, such as the asset management subsidiaries of insurance companies and certain industrial funds, can also be approved for direct insurance investment into infrastructure funds, and they have tended to be the preferred partners for the insurance companies. On the other side of the equation, only the major national insurance companies have been approved to make these kinds of investments.

### Registered and net capital requirements by business type

| Business type | Registered capital requirement (RMB) | Net capital requirement (RMB) |
|---|---|---|
| Standard | 300 million | 300 million |
| Insurance infrastructure trust funds | 1.2 billion | 1.2 billion* |
| Special purpose trust/ securitisation | 500 million | 500 million |
| Enterprise Annuity Plans (EAP) | 1 billion | 1 billion |
| QDII | 1 billion | Not less than registered capital post loss provisions |

* In addition to having minimum net assets of RMB 1.2 billion at the time of applications, minimum net assets must not have gone below RMB 500 million for the preceding 3 years

The first trust company to engage in this line of business was Ping An Trust, which developed an infrastructure fund focused on highway development in Shanxi by tapping insurance premiums. However for the reasons listed above, this is unlikely to become a major driver of revenue for any significant number of trust companies.

## Bond underwriting

Trust companies can also engage in a wide range of financial services, including the underwriting and distribution of bonds. Theoretically, they could also underwrite stock offerings, but in the current market it is unlikely that the CSRC would give its approval since the stock market is already more than sufficiently served by securities companies. Certain areas of the bond market are also open to trust companies, although to date their penetration has been quite limited. The areas are:

Enterprise bonds: Bonds normally issued by state-owned, non-financial institutions that are under the regulatory oversight of the National Development and Reform Commission. There has been a fair amount of participation in this market by trust companies, although only in a distribution capacity, not as underwriters.

Government bonds: As non-deposit-taking institutions, trust companies may seek approval to underwrite and distribute book-entry government bonds under a B-type license. However, no trust companies are on the 2009-2011 approved list for bond issuances. Any company that applies needs registered capital of at least RMB 800 million.

Financial bonds, medium-term bonds and commercial paper that are issued and traded in the inter-bank market and regulated by the PBOC: For a trust company to be considered as an underwriter or distributor, it must be a member of the inter-bank market, of which a number of trust companies are.

Asset-backed and mortgage-backed securities: These are largely the domain of commercial banks, although there is nothing explicit that prevents trust companies from underwriting such products.

## Enterprise Annuity Plans (EAPs)

Trust companies can hold two of the four licenses – for asset managers, trustees, custodians and administrators – related to the management of Enterprise Annuity Plans, but the application criteria are particularly onerous. In addition to high capital and net asset requirements, trust companies must have implemented a stringent risk management system, in addition to having a clean track record over the preceding three years. Only a small number of trust companies have earned the license to act as trustees for EAPs (including CITIC Trust, Hwabao Trust, SDIC Trust, and China Credit Trust), while Hwabao Trust and CITIC Trust have also obtained approval to administer EAPs.

Nevertheless, the EAP market is beset by significant uncertainty and fierce competition. Initially trust companies and specialised pension services companies were the only entities permitted to act as trustees, but in 2008, approved commercial banks were also permitted to manage EAPs which dramatically affected the competitive landscape. As a result, most trust companies have exited this line of business since they cannot compete with the vast branch networks or the lower fees being offered by the banks.

## Asset backed securitisation

China has only engaged securitisation on a pilot scheme basis, and while it understands the benefits it can bring, the global financial crisis has largely put a stop to the formal securitization market (there has not been an approved securitisation since 2008). The most likely outcome is that securitisation will come about when the market needs it. To date, over ten trust companies have obtained the license to act as a trustee for these special purpose trusts, including China Credit Trust, Yingda International Trust, Zhongtie Trust, China Foreign Trade Trust and Investment, Zhonghai Trust, Shanghai International Trust, Zhongyuan Trust, Hwabao Trust, CITIC Trust and Ping An Trust. Interestingly, Huarun Trust and Guoyuan Trust have recently received ABS licenses in 2010, which may signal their expectation about the relaxation of this market in the near future.

## Futures

On 27 June 2011, regulatory authorities issued their *Guidelines on the Participation in Stock Index Futures Trading by Trust Companies*, which identified entry qualifications and transaction regulations that trust companies can expect to face when trading futures. Before engaging in futures trading, the Guidelines require that trust companies have a specialized futures trading team consisting of at least two traders with more than one year of experience.

Based on the rating given by regulatory authorities, the transactions that trust companies are permitted to execute will vary. However, generally speaking, the Guidelines restrict the sale of Stock Index Futures contracts appraised at a value higher than the total value of equity securities accounts held by the trust company. For single unit trusts, the risk exposure of futures contracts cannot surpass 80 percent of an individual client's NAV.[14] In addition, as to avoid excessive risk, trust companies cannot trade using proprietary assets.

Also, these Guidelines permit Chinese hedge funds and other private investment fund companies to formally participate in futures trading, bringing an added competitive element to the sector.

14. Trust companies are to enter the stock index futures market, 10 May 2011, *ChinaHedge*

# Risk management for trust companies

Given the inherent risks and accelerated development of the trust sector in recent years, regulators have come to view risk management as one of the most essential elements of a trust company's operations. The objective behind implementing these risk management measures is to achieve long term risk stability and operational efficiency in order to maximize firm value. To accomplish this, trust companies must accurately balance their risk exposures and allocate resources effectively.

For financial investments, trust companies can replicate the risk management processes of well-established security and fund management companies (FMC), the most important process being the execution of due diligence. To do this effectively, trust managers must audit each of the following areas in detail:

- The purpose of the trust product
- AUM of the trust product, and the related reporting standards to be adhered to
- Each party involved in the transaction
- Product structure
- Legal compliance

Given the dynamic regulatory environment, managers should dedicate a sufficient amount of effort identifying operational and compliance risks. Moreover, as some trust companies are paying out multi-year bonuses to investment managers, the current compensation structure for many trust companies may incur a certain level of risk while not necessarily improving staff retention. Trust companies may want to give consideration to alternative compensation schemes such as linking compensation to the overall performance of a product throughout its lifecycle (i.e. amortization of bonuses over the life of a product).

Since 2010, Chinese regulators have implemented numerous macroeconomic policies to cool down the overheating real estate market, making credit risk a prominent issue for loan-type single and combined unit trust products. Fortunately, given the expertise of handling this type of risk, commercial bank lending operations serve as a prime example for trust companies. By integrating operational risk management techniques employed by commercial banks, such as separating the duties of front, middle and back office functions, trust companies should be able to ensure that risk managers are properly incentivized to perform their duties.

# Conclusion

2010 has been a period of rapid growth and development for the trust sector, and 2011 looks set for similarly high growth rates. For a sector that, in a sense, only really started in 2007, it has seen a remarkable amount of development over a short period of time. By way of illustration, both profit and AUM growth have now surpassed that of the retail fund management sector. There is no doubt that such expeditious growth will invite healthy skepticism about the robustness, risk management, and sustainability of this sector during economic downturns; however, the trust companies are very much under the watchful eye of the CBRC, which has guided them towards a more sustainable, lower risk business model.

Nonetheless, there are a number of hurdles that will restrain the growth of the trust sector in the coming years. In particular, the push by regulators to implement an actively managed business model will present a challenge for certain trust companies as they transition away from a reliance on channel-type products. Likewise, the new net capital regulations will act as a break on growth as trust companies scramble to raise sufficient capital to support new product offerings. Many trust companies are also still in the process of rationalizing their distribution channels and structures.

In the immediate future, trust companies will need to act to strengthen their wealth management teams through more advanced skill development programs to ensure their staff have skills commensurate with the increasingly sophisticated product offerings going to market. Moreover, trust companies will need to continue to actively bolster their primary customer base, which may include seeking strategic partnerships with other financial institutions and implementing a more formal approach to customer management. This is particularly the case for those trust companies that are heavily dependent on bank distribution channels and have made little effort to develop their own internal distribution capabilities.

At present, trust companies enjoy a key, and mostly unchallenged, role in providing onshore investment alternatives for institutional investors and HNWIs. Likewise, with a large portion of the economy struggling to secure financing, the trust companies enjoy a stable and captive source of financing opportunities and projects. These two elements have led to what might be regarded as an enviable situation for the trust companies, as they don't often face serious bottlenecks on either the project or investor sourcing side of their business. Rather, the key bottleneck is largely administrative in nature, as trust companies struggle to find sufficient staff with the right skill sets to meet the demands of their business. With the modernization of the financial services sector, the advantages accrued to trust companies will no doubt lessen over time, winding down the easy growth phase. However, for the foreseeable future, trust companies will no doubt enjoy a premier and unique position in the Chinese financial services sector that bodes well for their further development.

# Appendix 1: Financial summaries (section 1)

(Units in RMB million)

| | Company name (ranked by total assets) | Registered capital | | Total Assets | | Equity | | Net revenue | | Net interest revenue | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| 1 | Ping An Trust Co., Ltd. | 6,988.00 | 6,988.00 | 52,181.99 | 54,103.39 | 20,502.94 | 20,154.96 | 9,477.03 | 10,102.78 | 183.91 | (4.35) |
| 2 | China Resources SZITIC Trust Co., Ltd. | 2,630.00 | 2,630.00 | 9,720.18 | 7,042.90 | 8,300.81 | 6,670.94 | 1,646.30 | 1,590.81 | 51.34 | 1.40 |
| 3 | China Credit Trust Co., Ltd. | 2,456.67 | 1,200.00 | 9,328.77 | 5,094.71 | 8,046.07 | 3,865.84 | 1,671.95 | 1,157.92 | 331.89 | 238.15 |
| 4 | Chongqing International Trust Co., Ltd. | 2,438.73 | 1,633.73 | 8,689.63 | 5,615.35 | 7,989.95 | 4,644.72 | 846.61 | 911.38 | 87.23 | 57.53 |
| 5 | CITIC Trust Co., Ltd. | 1,200.00 | 1,200.00 | 7,708.66 | 6,353.54 | 5,650.99 | 4,388.67 | 2,386.40 | 2,004.67 | 614.36 | 597.77 |
| 6 | Jiangxi International Trust Co., Ltd. | 1,036.58 | 570.12 | 7,629.97 | 7,402.90 | 3,254.43 | 1,595.66 | 784.64 | 911.38 | 63.69 | 64.08 |
| 7 | Shanghai International Trust Co., Ltd. | 2,500.00 | 2,500.00 | 6,427.86 | 5,933.00 | 5,840.55 | 5,337.92 | 1,813.63 | 1,584.64 | 38.82 | 67.43 |
| 8 | Kunlun Trust Co., Ltd. | 3,000.00 | 3,000.00 | 4,719.48 | 4,079.95 | 4,314.23 | 3,969.10 | 741.22 | 429.55 | 46.06 | 45.79 |
| 9 | CCB Trust Co., Ltd. | 1,527.27 | 1,527.27 | 4,561.14 | 4,542.76 | 4,383.90 | 4,434.61 | 330.83 | 181.08 | 103.26 | 37.79 |
| 10 | Jiangsu International Trust Co., Ltd. | 2,483.90 | 2,483.90 | 4,408.87 | 3,793.86 | 4,333.15 | 3,687.91 | 766.13 | 511.19 | 29.57 | 40.01 |
| 11 | Hwabao Trust Co., Ltd. | 1,000.00 | 1,000.00 | 4,292.07 | 6,273.72 | 3,264.47 | 2,754.49 | 1,441.36 | 1,584.59 | 49.95 | 73.96 |
| 12 | China Foreign Economy and Trade Trust Co., Ltd. | 2,200.00 | 1,200.00 | 3,866.80 | 2,182.75 | 3,582.41 | 1,994.34 | 641.12 | 351.12 | 11.31 | 9.09 |
| 13 | Dalian Huaxin Trust Co., Ltd. | 2,057.00 | 1,210.00 | 3,322.31 | 1,917.18 | 3,202.20 | 1,826.10 | 659.92 | 600.14 | 140.78 | 52.08 |
| 14 | Anhui Guoyuan Trust Co., Ltd. | 1,200.00 | 1,200.00 | 3,193.02 | 2,999.06 | 3,074.55 | 2,897.01 | 364.62 | 320.81 | 19.88 | 37.98 |
| 15 | Shangdong International Trust Co., Ltd. | 1,280.00 | 1,280.00 | 3,090.04 | 1,906.30 | 1,939.09 | 1,781.48 | 476.69 | 377.50 | 1.28 | 0.53 |
| 16 | Zhongtai Trust Co., Ltd. | 516.60 | 516.60 | 2,766.44 | 2,766.44 | 2,930.18 | 2,295.44 | 1,435.85 | 1,265.63 | 12.14 | 15.81 |
| 17 | Beijing International Trust Co., Ltd. | 1,400.00 | 1,400.00 | 2,658.53 | 2,563.72 | 2,421.40 | 2,312.96 | 632.99 | 591.24 | 63.55 | 86.75 |
| 18 | Jilin Province Trust Co., Ltd. | 1,596.60 | 1,596.60 | 2,536.12 | 2,401.11 | 2,081.93 | 1,944.79 | 440.08 | 248.12 | 88.52 | 20.77 |
| 19 | SDIC Trust Co., Ltd. | 1,204.80 | 1,204.80 | 2,504.98 | 2,465.88 | 2,344.64 | 2,097.42 | 693.78 | 574.14 | 10.87 | 17.15 |
| 20 | Zhonghai Trust Co., Ltd. | 1,200.00 | 1,200.00 | 2,433.07 | 2,435.56 | 2,273.42 | 2,315.77 | 813.12 | 658.96 | 52.68 | 77.23 |
| 21 | China Zhongtou Trust Co., Ltd | 1,500.00 | 500.00 | 2,208.76 | 1,274.51 | 2,100.03 | 1,213.16 | 389.22 | 227.02 | 33.97 | 30.93 |
| 22 | China Railway Trust Co., Ltd. | 1,200.00 | 1,200.00 | 2,200.92 | 1,798.01 | 1,602.45 | 1,440.09 | 550.58 | 400.56 | 75.30 | 63.28 |
| 23 | Guolian Trust Co., Ltd. | 1,230.00 | 1,230.00 | 2,196.34 | 2,066.60 | 2,141.48 | 2,032.53 | 381.54 | 430.29 | 11.10 | 34.47 |
| 24 | Zhongrong International Trust Co., Ltd. | 580.00 | 325.00 | 2,043.31 | 794.95 | 1,539.31 | 693.91 | 1,752.90 | 697.83 | 21.90 | 2.26 |
| 25 | Tianjin Trust Co., Ltd. | 1,500.00 | 1,500.00 | 2,035.27 | 1,988.99 | 1,916.20 | 1,886.27 | 335.90 | 301.84 | 46.32 | 26.20 |
| 26 | Yingda International Trust Co., Ltd. | 1,500.00 | 1,500.00 | 2,028.30 | 1,895.96 | 1,964.30 | 1,763.09 | 439.63 | 267.40 | 33.09 | 18.31 |
| 27 | Huarong International Trust Co., Ltd. | 1,517.77 | 1,517.77 | 1,976.63 | 1,773.13 | 1,859.30 | 1,709.10 | 753.77 | 319.38 | 105.83 | 89.67 |
| 28 | Guangdong Finance Trust Co., Ltd. | 565.50 | 565.50 | 1,710.57 | 1,406.85 | 1,672.41 | 1,378.61 | 385.71 | 315.75 | 9.68 | 5.35 |
| 29 | Huaneng Guicheng Trust Co., Ltd. | 1,200.00 | 603.40 | 1,645.81 | 984.51 | 1,545.42 | 898.55 | 259.04 | 188.52 | 15.25 | 8.31 |
| 30 | Northern International Trust Co., Ltd. | 1,001.00 | 1,001.00 | 1,624.31 | 1,476.15 | 1,474.99 | 1,375.58 | 357.63 | 314.72 | 69.47 | 61.41 |
| 31 | New China Trust Co., Ltd. | 621.12 | 621.12 | 1,560.05 | 1,025.01 | 1,194.26 | 921.60 | 685.87 | 225.42 | 11.23 | 2.24 |
| 32 | Zhongyuan Trust Co., Ltd. | 1,202.00 | 1,202.00 | 1,499.72 | 1,467.80 | 1,454.91 | 1,427.91 | 261.57 | 204.64 | 11.14 | 10.80 |
| 33 | Shanxi Trust Co., Ltd. | 1,000.00 | 1,000.00 | 1,490.02 | 1,259.24 | 1,379.18 | 1,216.12 | 241.21 | 145.15 | 18.73 | 14.79 |
| 34 | Bank of Communications International Trust Co., Ltd. | 1,200.00 | 1,200.00 | 1,449.57 | 1,321.94 | 1,370.55 | 1,283.97 | 211.66 | 163.16 | 24.26 | 31.83 |
| 35 | Bridge Trust Co., Ltd. | 605.00 | 605.00 | 1,441.31 | 1,060.80 | 1,177.69 | 939.75 | 413.47 | 217.72 | 45.89 | 37.49 |
| 36 | China Jingu International Trust Co., Ltd. | 1,200.00 | 1,200.00 | 1,410.01 | 1,317.38 | 1,268.15 | 1,165.33 | 172.84 | 17.77 | 68.83 | 11.54 |
| 37 | Xiamen International Trust Co., Ltd. | 1,000.00 | 1,000.00 | 1,381.12 | 1,545.17 | 1,301.71 | 1,432.05 | 206.88 | 412.35 | 26.54 | 48.42 |
| 38 | Huachen Trust Co., Ltd. | 572.00 | 572.00 | 1,290.88 | 1,538.78 | 923.11 | 759.84 | 253.47 | 179.67 | (7.04) | 6.21 |
| 39 | Gansu Trust Co., Ltd. | 1,018.19 | 318.19 | 1,276.07 | 461.76 | 1,224.21 | 395.11 | 102.89 | 125.06 | 12.52 | 0.18 |
| 40 | Minmetals International Trust Co., Ltd. | 1,200.00 | - | 1,209.64 | - | 1,202.39 | - | 16.05 | - | 10.28 | - |
| 41 | Shaanxi International Trust Co., Ltd. | 358.41 | 358.41 | 1,204.03 | 1,097.09 | 742.85 | 596.08 | 220.17 | 237.91 | 6.80 | 15.26 |
| 42 | The National Trust, Ltd. | 1,000.00 | 1,000.00 | 1,164.31 | 1,174.59 | 1,141.31 | 1,126.19 | 94.10 | 171.14 | 7.96 | 8.56 |
| 43 | Western Trust Co., Ltd. | 620.00 | 500.00 | 1,009.76 | 818.87 | 924.58 | 773.87 | 252.48 | 84.09 | 3.68 | 3.77 |
| 44 | Dongguan Trust Co., Ltd. | 500.00 | 500.00 | 1,003.81 | 904.95 | 943.19 | 858.19 | 244.84 | 191.58 | 57.30 | 39.99 |
| 45 | Yunnan International Trust Co., Ltd. | 400.00 | 400.00 | 995.58 | 959.20 | 885.25 | 819.25 | 180.82 | 226.98 | 10.14 | 9.70 |
| 46 | Suzhou Trust Co., Ltd. | 590.00 | 590.00 | 977.13 | 898.19 | 938.84 | 872.05 | 241.02 | 227.62 | 39.40 | 22.89 |
| 47 | Xi'an International Trust Co., Ltd. | 510.00 | 510.00 | 957.53 | 592.37 | 693.87 | 547.41 | 367.20 | 126.63 | 3.11 | 3.38 |
| 48 | Bohai International Trust Co., Ltd. | 795.65 | 795.65 | 928.81 | 1,044.31 | 874.01 | 947.35 | 222.27 | 91.17 | 4.53 | 25.01 |
| 49 | China Industrial International Trust Co., Ltd.* | 510.00 | 510.00 | 878.65 | 775.59 | 800.46 | 736.43 | 206.71 | 89.82 | 7.66 | 10.78 |
| 50 | Hangzhou Industrial & Commercial Trust Co., Ltd. | 500.00 | 406.08 | 844.35 | 684.98 | 767.62 | 632.46 | 326.85 | 217.22 | 9.92 | 7.57 |
| 51 | New Times Trust Co., Ltd. | 300.00 | 300.00 | 835.94 | 710.17 | 835.94 | 710.17 | 263.04 | 254.50 | - | 0.94 |
| 52 | Hunan Trust Co., Ltd. | 500.00 | 500.00 | 724.99 | 677.50 | 597.92 | 577.04 | 145.18 | 99.20 | 4.91 | 4.44 |
| 53 | Anxin Trust & Investment Co., Ltd. | 454.11 | 454.11 | 688.60 | 591.70 | 360.48 | 275.06 | 304.33 | 165.95 | 0.21 | 0.03 |
| 54 | Shanghai AJ Trust & Investment Co., Ltd. | 1,000.00 | 1,000.00 | 439.61 | 382.38 | 438.30 | 374.27 | 96.66 | 62.13 | 9.97 | 9.29 |
| 55 | AVIC Trust Co., Ltd. | 300.01 | 300.01 | 436.61 | 301.31 | 332.57 | 300.80 | 106.00 | 1.61 | 17.40 | 0.62 |
| 56 | Sino-Australian International Trust Co., Ltd. | 300.00 | 300.00 | 341.08 | 306.56 | 311.16 | 301.66 | 50.82 | 6.55 | 7.23 | 1.74 |

*Formerly Union Trust

# Appendix 1: Financial summaries (section 2)

| | Company name (ranked by total assets) | Net fee and commission income | | Net profit | | Net fee and commission income/ net revenue | | Net interest income/ net revenue | | Return on equity | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| 1 | Ping An Trust Co., Ltd. | 4,141.96 | 2,407.17 | 2,847.52 | 2,338.76 | 43.71% | 23.83% | 1.94% | -0.04% | 13.89% | 11.60% |
| 2 | China Resources SZITIC Trust Co., Ltd. | 365.77 | 243.58 | 1,379.83 | 1,443.36 | 22.22% | 15.31% | 3.12% | 0.09% | 16.62% | 21.64% |
| 3 | China Credit Trust Co., Ltd. | 778.16 | 489.14 | 1,009.88 | 704.47 | 46.54% | 42.24% | 19.85% | 20.57% | 12.55% | 18.22% |
| 4 | Chongqing International Trust Co., Ltd. | 673.75 | 521.33 | 586.34 | 588.65 | 79.58% | 57.20% | 10.30% | 6.31% | 7.34% | 12.67% |
| 5 | CITIC Trust Co., Ltd. | 1,476.58 | 1,049.17 | 1,108.78 | 901.10 | 61.87% | 52.34% | 25.74% | 29.82% | 19.62% | 20.53% |
| 6 | Jiangxi International Trust Co., Ltd. | 697.78 | 796.90 | 218.63 | 429.92 | 88.93% | 87.44% | 8.12% | 7.03% | 6.72% | 26.94% |
| 7 | Shanghai International Trust Co., Ltd. | 1,255.60 | 1,138.83 | 992.92 | 705.04 | 69.23% | 71.87% | 2.14% | 4.25% | 17.00% | 13.21% |
| 8 | Kunlun Trust Co., Ltd. | 443.11 | 225.63 | 453.27 | 273.48 | 59.78% | 52.53% | 6.21% | 10.66% | 10.51% | 6.89% |
| 9 | CCB Trust Co., Ltd. | 138.32 | 17.82 | 174.37 | 72.07 | 41.81% | 9.84% | 31.21% | 20.87% | 3.98% | 1.63% |
| 10 | Jiangsu International Trust Co., Ltd. | 209.47 | 121.00 | 626.29 | 437.64 | 27.34% | 23.67% | 3.86% | 7.83% | 14.45% | 11.87% |
| 11 | Hwabao Trust Co., Ltd. | 1,149.21 | 1,269.46 | 593.16 | 748.89 | 79.73% | 80.11% | 3.47% | 4.67% | 18.17% | 27.19% |
| 12 | China Foreign Economy and Trade Trust Co., Ltd. | 428.32 | 166.78 | 436.02 | 228.14 | 66.81% | 47.50% | 1.76% | 2.59% | 12.17% | 11.44% |
| 13 | Dalian Huaxin Trust Co., Ltd. | 457.29 | 370.04 | 427.82 | 416.88 | 69.29% | 61.66% | 21.33% | 8.68% | 13.36% | 22.83% |
| 14 | Anhui Guoyuan Trust Co., Ltd. | 143.57 | 60.48 | 253.19 | 245.04 | 39.37% | 18.85% | 5.45% | 11.84% | 8.23% | 8.46% |
| 15 | Shangdong International Trust Co., Ltd. | 293.24 | 234.59 | 294.71 | 192.99 | 61.52% | 62.14% | 0.27% | 0.14% | 15.20% | 10.83% |
| 16 | Zhongtai Trust Co., Ltd. | 1,330.51 | 1,185.20 | 547.81 | 458.15 | 92.66% | 93.65% | 0.85% | 1.25% | 18.70% | 19.96% |
| 17 | Beijing International Trust Co., Ltd. | 463.72 | 449.64 | 362.66 | 346.68 | 73.26% | 76.05% | 10.04% | 14.67% | 14.98% | 14.99% |
| 18 | Jilin Province Trust Co., Ltd. | 300.76 | 140.09 | 173.81 | 120.82 | 68.34% | 56.46% | 20.11% | 8.37% | 8.35% | 6.21% |
| 19 | SDIC Trust Co., Ltd. | 529.92 | 423.29 | 263.71 | 229.49 | 76.38% | 73.73% | 1.57% | 2.99% | 11.25% | 10.94% |
| 20 | Zhonghai Trust Co., Ltd. | 621.76 | 479.61 | 521.64 | 433.74 | 76.47% | 72.78% | 6.48% | 11.72% | 22.95% | 18.73% |
| 21 | China Zhongtou Trust Co., Ltd | 141.27 | 71.19 | 267.89 | 163.77 | 36.29% | 31.36% | 8.73% | 13.62% | 12.76% | 13.50% |
| 22 | China Railway Trust Co., Ltd. | 462.28 | 331.00 | 272.56 | 159.24 | 83.96% | 82.63% | 13.68% | 15.80% | 17.01% | 11.06% |
| 23 | Guolian Trust Co., Ltd. | 224.40 | 165.12 | 291.01 | 343.06 | 58.81% | 38.37% | 2.91% | 8.01% | 13.59% | 16.88% |
| 24 | Zhongrong International Trust Co., Ltd. | 1,616.19 | 500.65 | 694.91 | 326.75 | 92.20% | 71.74% | 1.25% | 0.32% | 45.14% | 47.09% |
| 25 | Tianjin Trust Co., Ltd. | 203.25 | 142.66 | 183.62 | 172.01 | 60.51% | 47.26% | 13.79% | 8.68% | 9.58% | 9.12% |
| 26 | Yingda International Trust Co., Ltd. | 377.11 | 239.41 | 241.19 | 131.51 | 85.78% | 89.53% | 7.53% | 6.85% | 12.28% | 7.46% |
| 27 | Huarong International Trust Co., Ltd. | 593.67 | 204.55 | 310.15 | 188.49 | 78.76% | 64.05% | 14.04% | 28.08% | 16.68% | 11.03% |
| 28 | Guangdong Finance Trust Co., Ltd. | 175.09 | 111.42 | 308.65 | 262.74 | 45.40% | 35.29% | 2.51% | 1.70% | 18.46% | 19.06% |
| 29 | Huaneng Guicheng Trust Co., Ltd. | 227.73 | 110.81 | 114.43 | 72.84 | 87.91% | 58.78% | 5.89% | 4.41% | 7.40% | 8.11% |
| 30 | Northern International Trust Co., Ltd. | 284.28 | 128.00 | 200.13 | 196.23 | 79.49% | 40.67% | 19.43% | 19.51% | 13.57% | 14.27% |
| 31 | New China Trust Co., Ltd. | 608.85 | 198.73 | 346.56 | 106.73 | 88.77% | 88.16% | 1.64% | 0.99% | 29.02% | 11.58% |
| 32 | Zhongyuan Trust Co., Ltd. | 148.40 | 76.63 | 131.31 | 109.17 | 56.74% | 37.45% | 4.26% | 5.28% | 9.03% | 7.65% |
| 33 | Shanxi Trust Co., Ltd. | 164.95 | 94.85 | 100.83 | 46.59 | 68.39% | 65.35% | 7.76% | 10.19% | 7.31% | 3.83% |
| 34 | Bank of Communications International Trust Co., Ltd. | 147.95 | 100.30 | 83.15 | 68.70 | 69.90% | 61.47% | 11.46% | 19.51% | 6.07% | 5.35% |
| 35 | Bridge Trust Co., Ltd. | 146.99 | 86.09 | 166.85 | 120.56 | 35.55% | 39.54% | 11.10% | 17.22% | 14.17% | 12.83% |
| 36 | China Jingu International Trust Co., Ltd. | 44.99 | 4.68 | 102.82 | 4.21 | 26.03% | 26.31% | 39.82% | 64.96% | 8.11% | 0.36% |
| 37 | Xiamen International Trust Co., Ltd. | 84.66 | 73.20 | 138.00 | 317.60 | 40.92% | 17.75% | 12.83% | 11.74% | 10.60% | 22.18% |
| 38 | Huachen Trust Co., Ltd. | 152.70 | 107.40 | 152.15 | 101.54 | 60.24% | 59.78% | -2.78% | 3.46% | 16.48% | 13.36% |
| 39 | Gansu Trust Co., Ltd. | 12.59 | 11.93 | 53.27 | 72.13 | 12.24% | 9.54% | 12.17% | 0.14% | 4.35% | 18.25% |
| 40 | Minmetals International Trust Co., Ltd. | 6.12 | - | 2.51 | - | 38.14% | - | 64.07% | - | 0.21% | - |
| 41 | Shaanxi International Trust Co., Ltd. | 69.00 | 49.10 | 81.52 | 43.65 | 31.34% | 20.64% | 3.09% | 6.42% | 10.97% | 7.32% |
| 42 | The National Trust, Ltd. | 28.16 | 32.95 | 42.58 | 93.61 | 29.92% | 19.25% | 8.45% | 5.00% | 3.73% | 8.31% |
| 43 | Western Trust Co., Ltd. | 75.80 | 43.18 | 162.00 | 39.91 | 30.02% | 51.36% | 1.46% | 4.48% | 17.52% | 5.16% |
| 44 | Dongguan Trust Co., Ltd. | 166.88 | 63.86 | 140.41 | 121.15 | 68.16% | 33.33% | 23.40% | 20.88% | 14.89% | 14.12% |
| 45 | Yunnan International Trust Co., Ltd. | 106.34 | 162.33 | 66.01 | 121.95 | 58.81% | 71.52% | 5.61% | 4.27% | 7.46% | 14.89% |
| 46 | Suzhou Trust Co., Ltd. | 184.50 | 139.97 | 151.22 | 141.63 | 76.55% | 61.49% | 16.35% | 10.05% | 16.11% | 16.24% |
| 47 | Xi'an International Trust Co., Ltd. | 248.33 | 73.84 | 154.10 | 52.05 | 67.63% | 58.31% | 0.85% | 2.67% | 22.21% | 9.51% |
| 48 | Bohai International Trust Co., Ltd. | 148.34 | 45.07 | 109.36 | 46.40 | 66.74% | 49.44% | 2.04% | 27.43% | 12.51% | 4.90% |
| 49 | China Industrial International Trust Co., Ltd.* | 105.40 | 55.38 | 75.89 | 38.24 | 50.99% | 61.66% | 3.71% | 12.00% | 9.48% | 5.19% |
| 50 | Hangzhou Industrial & Commercial Trust Co., Ltd. | 166.45 | 100.24 | 160.30 | 102.49 | 50.93% | 46.15% | 3.04% | 3.48% | 20.88% | 16.20% |
| 51 | New Times Trust Co., Ltd. | 189.95 | 58.85 | 127.15 | 142.95 | 72.21% | 23.13% | 0.00% | 0.37% | 15.21% | 20.13% |
| 52 | Hunan Trust Co., Ltd. | 131.62 | 90.78 | 45.88 | 26.55 | 90.66% | 91.51% | 3.38% | 4.48% | 7.67% | 4.60% |
| 53 | Anxin Trust & Investment Co., Ltd. | 239.58 | 108.82 | 93.33 | 46.77 | 78.72% | 65.58% | 0.07% | 0.02% | 25.89% | 17.00% |
| 54 | Shanghai AJ Trust & Investment Co., Ltd. | 84.72 | 52.08 | 63.69 | 45.75 | 87.64% | 83.83% | 10.32% | 14.96% | 14.53% | 12.22% |
| 55 | AVIC Trust Co., Ltd. | 81.94 | 1.00 | 31.77 | 0.80 | 77.30% | 61.98% | 16.41% | 38.12% | 9.55% | 0.26% |
| 56 | Sino-Australian International Trust Co., Ltd. | 41.64 | 4.78 | 9.50 | 1.66 | 81.93% | 72.93% | 14.22% | 26.60% | 3.05% | 0.55% |

# Appendix 1: Financial summaries (section 3)

| | Company name (ranked by total assets) | Assets under management | | Combined unit trust products | | Single unit trust products | | Property management trust products | |
|---|---|---|---|---|---|---|---|---|---|
| | | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| 1 | Ping An Trust Co., Ltd. | 139,594.20 | 130,814.66 | 39,057.89 | 11,802.34 | 91,492.99 | 116,301.40 | 9,043.32 | 2,710.92 |
| 2 | China Resources SZITIC Trust Co., Ltd. | 65,297.20 | 58,117.23 | 28,193.72 | 14,598.10 | 36,978.31 | 43,260.80 | 125.18 | 258.33 |
| 3 | China Credit Trust Co., Ltd. | 148,829.09 | 93,306.74 | 34,325.98 | 10,900.49 | 105,321.47 | 65,701.95 | 9,181.63 | 16,704.30 |
| 4 | Chongqing International Trust Co., Ltd. | 37,837.76 | 30,279.72 | 7,832.78 | 1,970.25 | 28,412.40 | 25,957.98 | 1,592.58 | 2,351.49 |
| 5 | CITIC Trust Co., Ltd. | 332,790.77 | 206,780.79 | 75,103.16 | 36,699.19 | 235,351.85 | 144,094.27 | 22,335.76 | 25,987.33 |
| 6 | Jiangxi International Trust Co., Ltd. | 67,641.46 | 41,149.41 | 9,724.36 | 6,364.97 | 57,804.49 | 32,771.75 | 112.62 | 2,012.69 |
| 7 | Shanghai International Trust Co., Ltd. | 54,669.53 | 48,931.23 | 15,316.49 | 11,941.69 | 39,353.04 | 36,186.76 | - | 802.77 |
| 8 | Kunlun Trust Co., Ltd. | 53,514.48 | 59,803.40 | 8,814.36 | 1,547.11 | 44,650.12 | 57,241.39 | 50.00 | 1,014.89 |
| 9 | CCB Trust Co., Ltd. | 66,016.01 | 27,555.20 | 1,606.65 | 855.39 | 64,189.92 | 23,272.81 | 219.44 | 3,427.00 |
| 10 | Jiangsu International Trust Co., Ltd. | 27,297.25 | 16,030.46 | 5,339.94 | 1,687.78 | 21,758.36 | 12,525.86 | 198.95 | 1,816.82 |
| 11 | Hwabao Trust Co., Ltd. | 86,934.62 | 46,726.24 | 8,868.32 | 4,597.71 | 77,746.62 | 39,428.59 | 319.68 | 2,699.93 |
| 12 | China Foreign Economy and Trade Trust Co., Ltd. | 86,463.00 | 41,044.84 | 36,941.21 | 9,157.97 | 44,657.19 | 29,942.43 | 4,864.60 | 1,944.44 |
| 13 | Dalian Huaxin Trust Co., Ltd. | 40,515.57 | 52,605.26 | 6,948.65 | 5,847.05 | 31,517.43 | 41,070.10 | 2,049.49 | 5,688.10 |
| 14 | Anhui Guoyuan Trust Co., Ltd. | 35,960.65 | 16,724.17 | 3,528.87 | 1,837.71 | 32,159.00 | 13,726.62 | 272.79 | 1,159.84 |
| 15 | Shangdong International Trust Co., Ltd. | 96,612.97 | 53,964.63 | 12,216.43 | 4,607.29 | 68,982.93 | 32,372.66 | 15,413.62 | 16,984.69 |
| 16 | Zhongtai Trust Co., Ltd. | 16,823.67 | 12,439.08 | 4,776.34 | 1,256.33 | 11,326.27 | 9,975.62 | 721.07 | 1,207.13 |
| 17 | Beijing International Trust Co., Ltd. | 80,460.00 | 56,914.90 | 17,090.74 | 6,096.48 | 46,920.43 | 38,682.36 | 16,448.83 | 12,136.06 |
| 18 | Jilin Province Trust Co., Ltd. | 46,799.59 | 26,761.33 | 7,230.52 | 151.63 | 39,569.07 | 26,609.70 | - | - |
| 19 | SDIC Trust Co., Ltd. | 25,123.36 | 23,457.83 | 4,499.28 | 1,567.66 | 20,558.57 | 21,719.67 | 65.51 | 170.50 |
| 20 | Zhonghai Trust Co., Ltd. | 164,549.20 | 137,096.22 | 19,961.26 | 4,821.53 | 144,587.94 | 131,714.19 | 0.00 | 560.50 |
| 21 | China Zhongtou Trust Co., Ltd | 20,080.95 | 14,037.05 | 4,553.64 | 2,099.05 | 14,154.75 | 9,137.84 | 1,372.56 | 2,800.16 |
| 22 | China Railway Trust Co., Ltd. | 42,751.18 | 41,792.63 | 11,539.35 | 5,473.67 | 30,639.66 | 35,937.47 | 572.17 | 381.49 |
| 23 | Guolian Trust Co., Ltd. | 16,170.38 | 9,260.47 | 3,171.29 | 3,022.38 | 12,952.92 | 6,238.09 | 46.17 | - |
| 24 | Zhongrong International Trust Co., Ltd. | 179,936.89 | 131,533.03 | 65,903.16 | 13,943.67 | 111,603.76 | 113,984.62 | 2,429.97 | 3,604.74 |
| 25 | Tianjin Trust Co., Ltd. | 30,902.56 | 22,327.38 | 12,459.62 | 8,238.14 | 18,408.44 | 14,089.25 | 34.50 | - |
| 26 | Yingda International Trust Co., Ltd. | 145,827.04 | 147,679.08 | 1,050.19 | 1,072.12 | 133,971.49 | 135,357.70 | 10,805.36 | 11,249.25 |
| 27 | Huarong International Trust Co., Ltd. | 53,634.29 | 30,586.31 | 8,870.61 | 2,805.25 | 42,584.82 | 25,689.06 | 2,178.86 | 2,092.00 |
| 28 | Guangdong Finance Trust Co., Ltd. | 100,835.69 | 67,858.47 | 12,218.78 | 812.46 | 77,070.48 | 47,371.52 | 11,546.42 | 19,674.49 |
| 29 | Huaneng Guicheng Trust Co., Ltd. | 41,186.17 | 22,610.16 | 9,207.87 | 3,711.48 | 31,978.30 | 18,898.68 | - | - |
| 30 | Northern International Trust Co., Ltd. | 52,126.16 | 20,632.65 | 5,969.73 | 3,077.15 | 44,526.01 | 15,775.99 | 1,630.42 | 1,779.51 |
| 31 | New China Trust Co., Ltd. | 60,928.66 | 40,409.95 | 23,060.57 | 5,693.50 | 34,876.89 | 31,249.40 | 2,991.20 | 3,467.04 |
| 32 | Zhongyuan Trust Co., Ltd. | 35,652.92 | 24,331.26 | 3,550.93 | 2,318.39 | 30,611.40 | 20,465.13 | 1,490.60 | 1,547.74 |
| 33 | Shanxi Trust Co., Ltd. | 25,203.49 | 25,751.39 | 3,278.84 | 2,688.01 | 18,480.52 | 19,026.99 | 3,444.13 | 4,036.39 |
| 34 | Bank of Communications International Trust Co., Ltd. | 35,665.69 | 38,209.24 | 6,939.82 | 3,111.87 | 28,274.29 | 34,535.16 | 451.59 | 562.20 |
| 35 | Bridge Trust Co., Ltd. | 29,394.37 | 18,542.81 | 9,607.44 | 3,780.51 | 19,592.34 | 14,247.55 | 194.58 | 514.75 |
| 36 | China Jingu International Trust Co., Ltd. | 11,743.12 | 1,976.24 | 2,094.36 | 200.00 | 9,101.75 | 1,776.24 | 547.00 | - |
| 37 | Xiamen International Trust Co., Ltd. | 19,708.33 | 9,261.75 | 6,702.32 | 2,939.38 | 12,638.96 | 5,830.87 | 367.05 | 491.50 |
| 38 | Huachen Trust Co., Ltd. | 14,462.50 | 12,281.30 | 3,272.53 | 2,028.63 | 11,189.96 | 10,252.67 | - | - |
| 39 | Gansu Trust Co., Ltd. | 5,988.04 | 4,075.51 | 1,243.76 | 108.35 | 2,838.67 | 2,069.37 | 1,905.61 | 1,897.79 |
| 40 | Minmetals International Trust Co., Ltd. | 9,165.04 | - | 180.04 | - | 8,985.00 | - | - | - |
| 41 | Shaanxi International Trust Co., Ltd. | 20,467.80 | 12,417.84 | 6,437.27 | 1,959.30 | 13,710.17 | 9,596.32 | 320.37 | 862.21 |
| 42 | The National Trust, Ltd. | 3,260.89 | 5,136.49 | 118.40 | 128.69 | 3,142.49 | 5,007.80 | - | - |
| 43 | Western Trust Co., Ltd. | 6,528.22 | 4,778.31 | 3,353.01 | 1,477.43 | 3,175.21 | 3,300.88 | - | - |
| 44 | Dongguan Trust Co., Ltd. | 14,778.11 | 12,117.64 | 2,693.58 | 865.42 | 12,070.80 | 11,238.50 | 13.73 | 13.72 |
| 45 | Yunnan International Trust Co., Ltd. | 4,539.65 | 9,518.82 | 3,144.51 | 4,800.17 | 1,098.33 | 4,421.84 | 296.81 | 296.81 |
| 46 | Suzhou Trust Co., Ltd. | 16,310.51 | 11,700.42 | 12,066.83 | 7,265.15 | 3,928.72 | 4,120.09 | 314.95 | 315.18 |
| 47 | Xi'an International Trust Co., Ltd. | 80,104.30 | 33,395.91 | 8,231.38 | 2,664.69 | 71,828.16 | 28,937.71 | 44.76 | 1,793.50 |
| 48 | Bohai International Trust Co., Ltd. | 79,942.64 | 32,634.26 | 4,566.75 | 1,295.44 | 67,903.29 | 25,243.45 | 7,472.60 | 6,095.37 |
| 49 | China Industrial International Trust Co., Ltd. | 32,640.57 | 10,711.75 | 8,897.74 | 70.00 | 23,718.79 | 7,938.33 | 24.04 | 2,703.42 |
| 50 | Hangzhou Industrial & Commercial Trust Co., Ltd. | 9,253.21 | 5,200.02 | 7,603.00 | 3,463.74 | 1,650.21 | 1,736.28 | - | - |
| 51 | New Times Trust Co., Ltd. | 30,014.43 | 15,465.97 | 3,576.09 | 2,134.87 | 25,938.34 | 12,555.83 | 500.00 | 775.27 |
| 52 | Hunan Trust Co., Ltd. | 17,038.97 | 6,694.33 | 3,956.95 | 2,439.57 | 12,844.89 | 4,021.57 | 237.13 | 233.19 |
| 53 | Anxin Trust & Investment Co., Ltd. | 12,270.33 | 12,983.47 | 3,557.02 | 1,143.88 | 2,438.73 | 10,043.28 | 6,274.58 | 1,796.31 |
| 54 | Shanghai AJ Trust & Investment Co., Ltd. | 8,478.68 | 7,059.99 | 4,115.54 | 2,825.42 | 2,914.88 | 3,012.14 | 1,448.27 | 1,222.42 |
| 55 | AVIC Trust Co., Ltd. | 38,715.33 | n/a | 4,759.65 | n/a | 33,441.63 | n/a | 514.05 | n/a |
| 56 | Sino-Australian International Trust Co., Ltd. | 5,398.20 | 935.94 | 4,818.35 | 64.23 | 579.85 | 871.71 | 0.00 | 0.00 |

# Appendix 1: Financial summaries (section 4)

| | Company name (ranked by total assets) | Interest revenue of AUM | | Non-interest revenue of AUM | | Gross revenue of AUM | | Net profit of AUM | |
|---|---|---|---|---|---|---|---|---|---|
| | | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| 1 | Ping An Trust Co., Ltd. | 4,304.79 | 2,822.11 | 8,236.83 | 2,287.25 | 12,541.62 | 5,109.36 | 11,672.71 | 4,594.49 |
| 2 | China Resources SZITIC Trust Co., Ltd. | 2,195.45 | 1,906.20 | 2,543.00 | 4,348.14 | 4,738.45 | 6,254.34 | 4,002.61 | 5,724.60 |
| 3 | China Credit Trust Co., Ltd. | 4,084.05 | 4,147.35 | 2,989.28 | 1,497.64 | 7,073.33 | 5,645.00 | 5,834.54 | 4,635.69 |
| 4 | Chongqing International Trust Co., Ltd. | 582.99 | 352.16 | 1,475.07 | 1,944.81 | 2,058.06 | 2,296.97 | 1,853.29 | 2,097.12 |
| 5 | CITIC Trust Co., Ltd. | 9,143.26 | 6,200.33 | 7,173.79 | 4,687.73 | 16,317.06 | 10,888.06 | 13,644.74 | 8,352.34 |
| 6 | Jiangxi International Trust Co., Ltd. | 1,421.53 | 1,077.78 | 1,824.32 | 709.33 | 3,245.85 | 1,787.11 | 2,960.95 | 1,569.43 |
| 7 | Shanghai International Trust Co., Ltd. | 2,015.48 | 730.05 | 2,139.59 | 1,498.87 | 4,155.07 | 2,228.92 | 3,444.02 | 1,946.43 |
| 8 | Kunlun Trust Co., Ltd. | 1,649.87 | 873.99 | 1,395.06 | 1,194.76 | 3,044.93 | 2,068.75 | 2,459.60 | 1,771.06 |
| 9 | CCB Trust Co., Ltd. | 1,601.04 | 205.30 | 387.99 | 98.80 | 1,989.04 | 304.10 | 1,719.60 | 249.79 |
| 10 | Jiangsu International Trust Co., Ltd. | 1,250.02 | 430.19 | 208.24 | 90.83 | 1,458.25 | 521.03 | 1,142.67 | 338.70 |
| 11 | Hwabao Trust Co., Ltd. | 1,752.61 | 677.76 | 892.75 | 2,411.38 | 2,645.37 | 3,089.15 | 2,274.65 | 2,677.70 |
| 12 | China Foreign Economy and Trade Trust Co., Ltd. | 1,842.81 | 1,492.55 | 2,272.38 | 2,476.77 | 4,115.19 | 3,969.32 | 3,279.99 | 3,520.44 |
| 13 | Dalian Huaxin Trust Co., Ltd. | 2,041.87 | 1,813.89 | 1,038.15 | 747.51 | 3,080.02 | 2,561.40 | 2,424.68 | 1,998.96 |
| 14 | Anhui Guoyuan Trust Co., Ltd. | 1,511.90 | 687.70 | 906.26 | 434.73 | 2,418.16 | 1,122.44 | 2,215.61 | 955.94 |
| 15 | Shangdong International Trust Co., Ltd. | 3,002.72 | 1,615.45 | 2,456.51 | 826.05 | 5,459.23 | 2,441.49 | 5,079.85 | 2,269.91 |
| 16 | Zhongtai Trust Co., Ltd. | 689.62 | 277.58 | 217.96 | 204.52 | 907.58 | 482.10 | 737.90 | 414.42 |
| 17 | Beijing International Trust Co., Ltd. | 1,706.51 | 1,349.89 | 4,363.77 | 3,044.56 | 6,070.28 | 4,394.45 | 5,570.95 | 3,861.07 |
| 18 | Jilin Province Trust Co., Ltd. | 2,307.83 | 644.52 | 325.85 | 335.43 | 2,633.68 | 979.94 | 2,209.53 | 857.01 |
| 19 | SDIC Trust Co., Ltd. | 830.03 | 257.38 | 386.93 | 880.85 | 1,216.96 | 1,138.22 | 1,013.51 | 1,046.17 |
| 20 | Zhonghai Trust Co., Ltd. | 7,872.39 | 4,985.02 | 3,626.35 | 511.47 | 11,498.74 | 5,496.49 | 8,747.63 | 3,688.17 |
| 21 | China Zhongtou Trust Co., Ltd | 743.93 | 394.36 | 380.66 | 324.21 | 1,124.59 | 718.57 | 924.07 | 601.60 |
| 22 | China Railway Trust Co., Ltd. | 1,865.03 | 1,349.69 | 706.31 | 410.79 | 2,571.34 | 1,760.48 | 2,281.71 | 1,560.61 |
| 23 | Guolian Trust Co., Ltd. | 709.45 | 329.30 | 552.62 | 630.96 | 1,262.07 | 960.26 | 1,052.67 | 818.96 |
| 24 | Zhongrong International Trust Co., Ltd. | 5,989.28 | 3,018.10 | 5,211.61 | 4,559.68 | 11,200.89 | 7,577.78 | 8,374.26 | 6,327.20 |
| 25 | Tianjin Trust Co., Ltd. | 1,544.62 | 944.67 | 509.78 | 435.67 | 2,054.41 | 1,380.35 | 1,841.61 | 1,201.04 |
| 26 | Yingda International Trust Co., Ltd. | 6,413.51 | 6,941.78 | 958.85 | 325.25 | 7,372.37 | 7,267.03 | 6,653.66 | 6,736.44 |
| 27 | Huarong International Trust Co., Ltd. | 2,179.29 | 843.06 | 1,385.89 | 364.06 | 3,565.17 | 1,207.12 | 3,065.64 | 1,022.69 |
| 28 | Guangdong Finance Trust Co., Ltd. | 1,620.19 | 392.71 | 3,020.88 | 1,788.66 | 4,641.07 | 2,181.37 | 3,949.02 | 1,784.28 |
| 29 | Huaneng Guicheng Trust Co., Ltd. | 1,943.07 | 550.61 | 270.33 | 7.95 | 2,213.39 | 558.57 | 1,734.44 | 435.58 |
| 30 | Northern International Trust Co., Ltd. | 1,896.98 | 467.96 | 73.32 | 305.99 | 1,970.29 | 773.95 | 1,842.76 | 702.43 |
| 31 | New China Trust Co., Ltd. | 2,451.84 | 1,718.67 | 419.10 | 1,561.38 | 2,870.94 | 3,280.04 | 2,411.32 | 3,030.06 |
| 32 | Zhongyuan Trust Co., Ltd. | 1,214.63 | 510.55 | 1,124.24 | 425.62 | 2,338.87 | 936.17 | 2,113.64 | 813.46 |
| 33 | Shanxi Trust Co., Ltd. | 1,110.71 | 555.02 | 452.88 | 802.08 | 1,563.58 | 1,357.10 | 1,310.59 | 1,216.15 |
| 34 | Bank of Communications International Trust Co., Ltd. | 1,648.42 | 1,335.10 | 346.94 | 368.25 | 1,995.36 | 1,703.35 | 1,600.70 | 1,421.85 |
| 35 | Bridge Trust Co., Ltd. | 1,111.12 | 570.01 | 559.49 | 406.45 | 1,670.61 | 976.47 | 1,504.56 | 867.38 |
| 36 | China Jingu International Trust Co., Ltd. | 148.66 | 3.92 | 84.28 | - | 232.94 | 3.92 | 189.32 | 3.63 |
| 37 | Xiamen International Trust Co., Ltd. | 438.37 | 318.24 | 281.71 | 758.57 | 720.08 | 1,076.81 | 575.14 | 963.06 |
| 38 | Huachen Trust Co., Ltd. | 529.84 | 859.18 | 632.90 | 411.49 | 1,162.73 | 1,270.68 | 867.33 | 1,020.56 |
| 39 | Gansu Trust Co., Ltd. | 99.91 | 7.66 | 426.53 | 468.42 | 526.45 | 476.07 | 498.87 | 452.02 |
| 40 | Minmetals International Trust Co., Ltd. | 14.42 | - | - | - | 14.42 | - | 13.34 | - |
| 41 | Shaanxi International Trust Co., Ltd. | 203.98 | 163.46 | 665.59 | 478.13 | 869.57 | 641.59 | 699.60 | 575.16 |
| 42 | The National Trust, Ltd. | 23.38 | 44.38 | 91.88 | 323.52 | 115.26 | 367.89 | 97.60 | 389.31 |
| 43 | Western Trust Co., Ltd. | 166.33 | 160.05 | 202.05 | 77.57 | 368.38 | 237.62 | 255.15 | 174.55 |
| 44 | Dongguan Trust Co., Ltd. | 602.90 | 533.70 | 261.61 | 202.40 | 864.51 | 736.10 | 729.69 | 668.89 |
| 45 | Yunnan International Trust Co., Ltd. | 78.52 | 110.05 | 338.92 | 554.15 | 417.44 | 664.20 | 276.31 | 464.64 |
| 46 | Suzhou Trust Co., Ltd. | 240.30 | 221.47 | 1,176.99 | 432.77 | 1,417.30 | 654.25 | 1,177.44 | 515.60 |
| 47 | Xi'an International Trust Co., Ltd. | 3,257.71 | 408.44 | 418.79 | 481.09 | 3,676.50 | 889.53 | 3,341.08 | 774.24 |
| 48 | Bohai International Trust Co., Ltd. | 3,208.64 | 629.09 | 672.69 | 284.53 | 3,881.33 | 913.62 | 3,542.90 | 837.25 |
| 49 | China Industrial International Trust Co., Ltd. | 898.52 | 132.95 | 442.34 | 44.57 | 1,340.86 | 177.52 | 1,151.05 | 143.65 |
| 50 | Hangzhou Industrial & Commercial Trust Co., Ltd. | 354.32 | 316.37 | 520.49 | 174.34 | 874.81 | 490.71 | 658.89 | 375.13 |
| 51 | New Times Trust Co., Ltd. | 873.37 | 150.79 | 571.18 | 252.51 | 1,444.55 | 403.30 | 1,087.26 | 274.95 |
| 52 | Hunan Trust Co., Ltd. | 566.30 | 207.26 | 259.54 | 197.97 | 825.84 | 405.23 | 704.44 | 335.55 |
| 53 | Anxin Trust & Investment Co., Ltd. | 370.10 | 546.55 | 177.07 | 115.16 | 547.17 | 661.70 | 437.13 | 591.35 |
| 54 | Shanghai AJ Trust & Investment Co., Ltd. | 49.22 | 90.70 | 696.25 | 303.60 | 745.47 | 394.29 | 706.22 | 396.71 |
| 55 | AVIC Trust Co., Ltd. | 876.33 | n/a | 173.48 | n/a | 1,049.81 | n/a | 841.81 | n/a |
| 56 | Sino-Australian International Trust Co., Ltd. | 89.52 | 2.75 | 32.06 | 0.85 | 121.59 | 3.60 | 92.30 | 2.02 |

# Appendix 1: Financial summaries (section 5)

| | Company name (ranked by total assets) | Interest revenue/gross revenue of AUM | | Non-interest revenue/gross revenue of AUM | | Return on trust assets | | PPP (profit per person) | |
|---|---|---|---|---|---|---|---|---|---|
| | | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| 1 | Ping An Trust Co., Ltd. | 34.32% | 55.23% | 65.68% | 44.77% | 8.36% | 3.51% | 3.65 | 4.62 |
| 2 | China Resources SZITIC Trust Co., Ltd. | 46.33% | 30.48% | 53.67% | 69.52% | 6.13% | 9.85% | 12.27 | 14.73 |
| 3 | China Credit Trust Co., Ltd. | 57.74% | 73.47% | 42.26% | 26.53% | 3.92% | 4.97% | 7.01 | 6.52 |
| 4 | Chongqing International Trust Co., Ltd. | 28.33% | 15.33% | 71.67% | 84.67% | 4.90% | 6.93% | 8.75 | 7.99 |
| 5 | CITIC Trust Co., Ltd. | 56.03% | 56.95% | 43.97% | 43.05% | 4.10% | 4.04% | 5.06 | 5.29 |
| 6 | Jiangxi International Trust Co., Ltd. | 43.80% | 60.31% | 56.20% | 39.69% | 4.38% | 3.81% | 0.80 | 1.41 |
| 7 | Shanghai International Trust Co., Ltd. | 48.51% | 32.75% | 51.49% | 67.25% | 6.30% | 3.98% | 5.39 | 3.47 |
| 8 | Kunlun Trust Co., Ltd. | 54.18% | 42.25% | 45.82% | 57.75% | 4.60% | 2.96% | 3.75 | 2.85 |
| 9 | CCB Trust Co., Ltd. | 80.49% | 67.51% | 19.51% | 32.49% | 2.60% | 0.91% | 2.05 | 1.14 |
| 10 | Jiangsu International Trust Co., Ltd. | 85.72% | 82.57% | 14.28% | 17.43% | 4.19% | 2.11% | 10.71 | 7.77 |
| 11 | Hwabao Trust Co., Ltd. | 66.25% | 21.94% | 33.75% | 78.06% | 2.62% | 5.73% | 3.83 | 5.22 |
| 12 | China Foreign Economy and Trade Trust Co., Ltd. | 44.78% | 37.60% | 55.22% | 62.40% | 3.79% | 8.58% | 4.80 | 2.97 |
| 13 | Dalian Huaxin Trust Co., Ltd. | 66.29% | 70.82% | 33.71% | 29.18% | 5.98% | 3.80% | 3.60 | 3.43 |
| 14 | Anhui Guoyuan Trust Co., Ltd. | 62.52% | 61.27% | 37.48% | 38.73% | 6.16% | 5.72% | 2.11 | 2.08 |
| 15 | Shangdong International Trust Co., Ltd. | 55.00% | 66.17% | 45.00% | 33.83% | 5.26% | 4.21% | 1.40 | 1.00 |
| 16 | Zhongtai Trust Co., Ltd. | 75.98% | 57.58% | 24.02% | 42.42% | 4.39% | 3.33% | 4.02 | 3.51 |
| 17 | Beijing International Trust Co., Ltd. | 28.11% | 30.72% | 71.89% | 69.28% | 6.92% | 6.78% | 3.00 | 3.10 |
| 18 | Jilin Province Trust Co., Ltd. | 87.63% | 65.77% | 12.37% | 34.23% | 4.72% | 3.20% | 0.60 | n/a |
| 19 | SDIC Trust Co., Ltd. | 68.21% | 22.61% | 31.79% | 77.39% | 4.03% | 4.46% | 1.35 | 1.32 |
| 20 | Zhonghai Trust Co., Ltd. | 68.46% | 90.69% | 31.54% | 9.31% | 5.32% | 2.69% | 6.56 | n/a |
| 21 | China Zhongtou Trust Co., Ltd | 66.15% | 54.88% | 33.85% | 45.12% | 4.60% | 4.29% | 3.62 | 2.54 |
| 22 | China Railway Trust Co., Ltd. | 72.53% | 76.67% | 27.47% | 23.33% | 5.34% | 3.73% | 3.11 | 1.50 |
| 23 | Guolian Trust Co., Ltd. | 56.21% | 34.29% | 43.79% | 65.71% | 6.51% | 8.84% | 6.33 | 7.80 |
| 24 | Zhongrong International Trust Co., Ltd. | 53.47% | 39.83% | 46.53% | 60.17% | 4.65% | 4.81% | 1.32 | n/a |
| 25 | Tianjin Trust Co., Ltd. | 75.19% | 68.44% | 24.81% | 31.56% | 5.96% | 5.38% | 1.31 | 1.18 |
| 26 | Yingda International Trust Co., Ltd. | 86.99% | 95.52% | 13.01% | 4.48% | 4.56% | 4.56% | 2.33 | 1.37 |
| 27 | Huarong International Trust Co., Ltd. | 61.13% | 69.84% | 38.87% | 30.16% | 5.72% | 3.34% | 3.71 | 2.31 |
| 28 | Guangdong Finance Trust Co., Ltd. | 34.91% | 18.00% | 65.09% | 82.00% | 3.92% | 2.63% | 4.75 | 5.05 |
| 29 | Huaneng Guicheng Trust Co., Ltd. | 87.79% | 98.58% | 12.21% | 1.42% | 4.21% | 1.93% | 1.31 | 1.19 |
| 30 | Northern International Trust Co., Ltd. | 96.28% | 60.46% | 3.72% | 39.54% | 3.54% | 3.40% | 2.18 | 2.13 |
| 31 | New China Trust Co., Ltd. | 85.40% | 52.40% | 14.60% | 47.60% | 3.96% | 7.50% | 1.68 | 0.65 |
| 32 | Zhongyuan Trust Co., Ltd. | 51.93% | 54.54% | 48.07% | 45.46% | 5.93% | 3.34% | 1.22 | 1.05 |
| 33 | Shanxi Trust Co., Ltd. | 71.04% | 40.90% | 28.96% | 59.10% | 5.20% | 4.72% | 0.64 | 0.32 |
| 34 | Bank of Communications International Trust Co., Ltd. | 82.61% | 78.38% | 17.39% | 21.62% | 4.49% | 3.72% | 0.98 | 0.79 |
| 35 | Bridge Trust Co., Ltd. | 66.51% | 58.37% | 33.49% | 41.63% | 5.12% | 4.68% | 1.69 | 1.64 |
| 36 | China Jingu International Trust Co., Ltd. | 63.82% | 100.00% | 36.18% | 0.00% | 1.61% | 0.18% | 1.87 | n/a |
| 37 | Xiamen International Trust Co., Ltd. | 60.88% | 29.55% | 39.12% | 70.45% | 2.92% | 10.40% | 1.53 | 3.65 |
| 38 | Huachen Trust Co., Ltd. | 45.57% | 67.62% | 54.43% | 32.38% | 6.00% | 8.31% | 1.48 | n/a |
| 39 | Gansu Trust Co., Ltd. | 18.98% | 1.61% | 81.02% | 98.39% | 8.33% | 11.09% | 0.93 | 1.44 |
| 40 | Minmetals International Trust Co., Ltd. | 100.00% | - | - | - | 0.15% | - | 0.04 | - |
| 41 | Shaanxi International Trust Co., Ltd. | 23.46% | 25.48% | 76.54% | 74.52% | 3.42% | 4.63% | n/a | n/a |
| 42 | The National Trust, Ltd. | 20.29% | 12.06% | 79.71% | 87.94% | 2.99% | 7.58% | 0.70 | 1.36 |
| 43 | Western Trust Co., Ltd. | 45.15% | 67.35% | 54.85% | 32.65% | 3.91% | 3.65% | 1.80 | n/a |
| 44 | Dongguan Trust Co., Ltd. | 69.74% | 72.50% | 30.26% | 27.50% | 4.94% | 5.52% | 2.26 | 2.14 |
| 45 | Yunnan International Trust Co., Ltd. | 18.81% | 16.57% | 81.19% | 83.43% | 6.09% | 4.88% | 0.68 | 1.13 |
| 46 | Suzhou Trust Co., Ltd. | 16.96% | 33.85% | 83.04% | 66.15% | 7.22% | 4.41% | 2.40 | 2.58 |
| 47 | Xi'an International Trust Co., Ltd. | 88.61% | 45.92% | 11.39% | 54.08% | 4.17% | 2.32% | 1.13 | 0.55 |
| 48 | Bohai International Trust Co., Ltd. | 82.67% | 68.86% | 17.33% | 31.14% | 4.43% | 2.57% | 1.71 | 0.92 |
| 49 | China Industrial International Trust Co., Ltd. | 67.01% | 74.89% | 32.99% | 25.11% | 3.53% | 1.34% | 0.68 | 0.45 |
| 50 | Hangzhou Industrial & Commercial Trust Co., Ltd. | 40.50% | 64.47% | 59.50% | 35.53% | 7.12% | 7.21% | 1.71 | 1.40 |
| 51 | New Times Trust Co., Ltd. | 60.46% | 37.39% | 39.54% | 62.61% | 3.62% | 1.78% | 1.06 | 1.53 |
| 52 | Hunan Trust Co., Ltd. | 68.57% | 51.15% | 31.43% | 48.85% | 4.13% | 5.01% | 0.66 | 0.41 |
| 53 | Anxin Trust & Investment Co., Ltd. | 67.64% | 82.60% | 32.36% | 17.40% | 3.56% | 4.55% | n/a | 1.21 |
| 54 | Shanghai AJ Trust & Investment Co., Ltd. | 6.60% | 23.00% | 93.40% | 77.00% | 8.33% | 5.62% | 1.00 | 0.78 |
| 55 | AVIC Trust Co., Ltd. | 83.47% | n/a | 16.53% | n/a | 2.17% | n/a | 0.42 | n/a |
| 56 | Sino-Australian International Trust Co., Ltd. | 73.63% | 76.44% | 26.37% | 23.56% | 1.71% | 0.22% | 0.29 | n/a |

## Appendix 2: Risk weighting by investment type

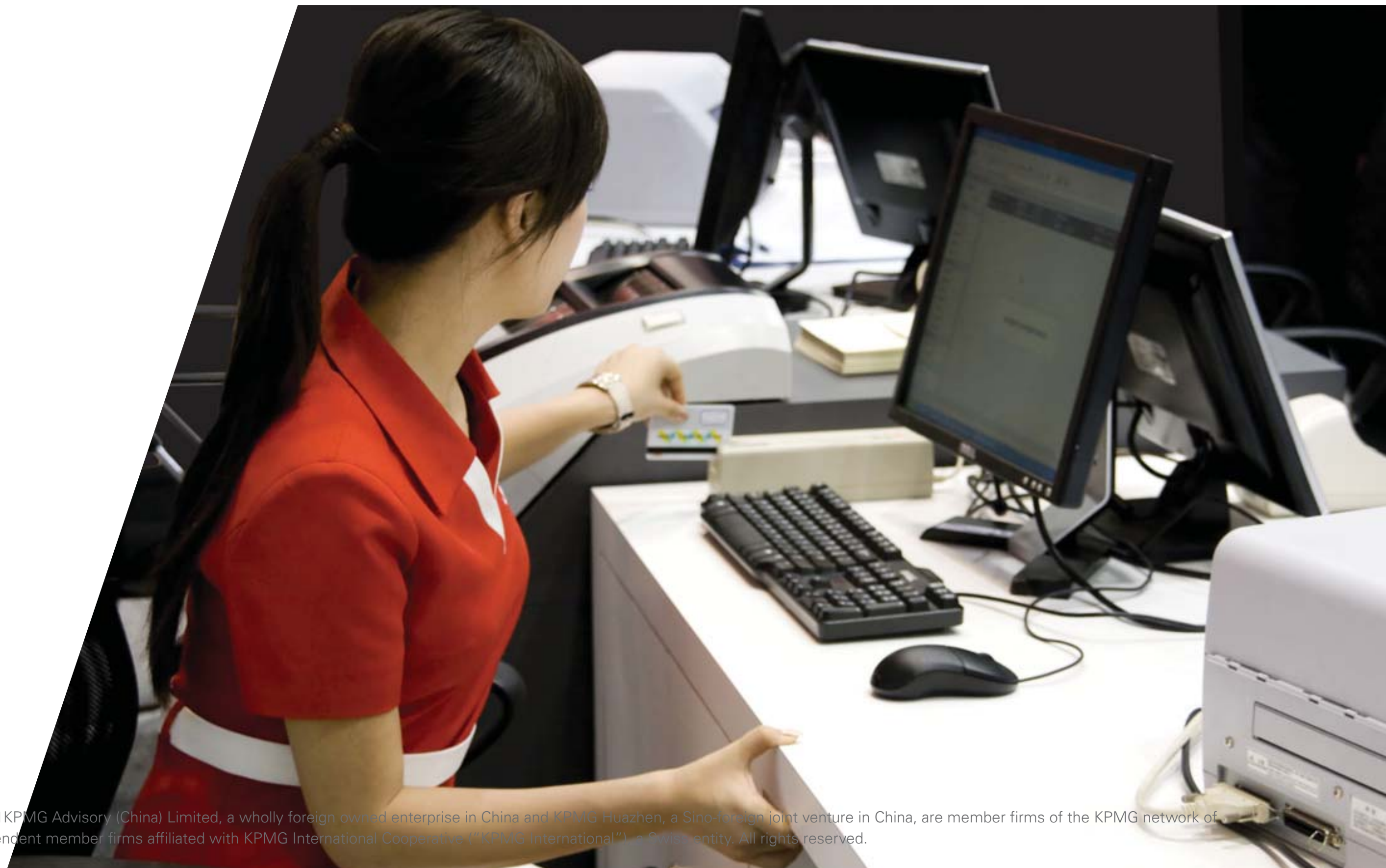
| Investment type | Risk weighting |
|---|---|
| **Proprietary investment** | |
| 1) Financial assets | |
| i. Hedging purposes | |
| Equity – stock investments | 1.25% |
| Stock Index Futures | 1.25% |
| ii. Non-hedging purposes | |
| Equity – stock investments | 10% |
| Stock Index Futures | 10% |
| 2) Other financial product investments | |
| Fixed income investments | 5% |
| 3) Derivative investments | |
| Stock Index Futures | 10% |
| Other product investments | 50% |
| Other financial asset investments | 20% |
| 4) Unlisted financial institutional investments | 10% |
| 5) Unlisted non-financial institutional investments | 20% |
| 6) Cash assets | 0% |
| **Entrusted asset investments** | |
| 1) Single unit trust products (not including bank-trust cooperation products) | |
| i. Financial trusts | |
| Financial product investments | |
| - Stock Index Futures | 0.80% |
| - Fixed income money market products | 0.10% |
| - Other money market products | 0.30% |
| - Unlisted equity investments | 0.80% |
| - Other financial product investments | 0.50% |
| ii. Debt-trust products | |
| Real estate trust investments | |
| - Social housing | 0.50% |
| - Other real estate financing | 1% |
| Other debt financing | 0.80% |
| iii. Property-type trust products | 0.10% |
| iv. Other products | 1% |
| 2) Combined unit trust products | |
| i. Investment trusts | |
| Financial product investments | |
| - Stock Index Futures | 1% |
| - Fixed income money market products | 0.20% |
| - Other money market products | 0.50% |
| - Other financial product investments | 1% |
| Unlisted equity investments | 1.50% |
| ii. Debt-trust products | |
| Real estate trust investments | |
| - Social housing | 1% |
| - Other real estate financing | 3% |
| iii. Other combined unit trusts | 3% |
| 3) Property management trust products | |
| i. Property rights securisation products | 1% |
| ii. Other products | 0.20% |
| 4) Additional risk weightings | |
| i. Single unit trust using capital from unrelated party used to invest in a related party's business | 2% |
| ii. Credit asset transfer using bank-trust cooperation products | 9% |
| 5) Bond underwriting | |
| i. Corporate bonds | 5% |
| ii. Government bonds | 3% |

# Appendix 3: List of restructured trust companies

| Restructuring investor | Trust company before restructuring | Trust company after restructuring | Relicensing date |
|---|---|---|---|
| Beijing Sanjili Energy Company Limited, Beijing Rongda Investment Limited & Macquarie | Kunming Trust | Sino-Australian International Trust | August 27, 2009 |
| COFCO Group | Islamic Trust | COFCO Trust | September 10, 2009 |
| Cinda Asset Management Company | Jingu Trust | Jingu Trust | September 15, 2009 |
| China Aviation Industry Group & Oversea – Chinese Banking Corporation | Jiangnan Trust | Avic Trust | December 28, 2009 |
| China Huadian Group | Foshan Trust and Investment Company | Huaxin Trust | February 9, 2010 |
| Minmetals Group | Qingtai Trust | Minmetals Trust | October 8, 2010 |
| Nanjing Provincial State-owned Assets Management & Sumitomo Trust | Nanjing Trust | Zijin Trust | October 2010 |
| Founder Group & Bank of East Asia | Wuhan Trust | Founder East Asia Trust | November 26, 2010 |
| Hongda Group | Sichuan Trust | Sichuan Trust | November 29, 2010 |
| Oriental Asset Management Company | Guangzhou Science and Technology Trust | Daye Trust | March 2011 |
| Zhejiang International Trade Group & CICC | Jinxin Trust | Zheshang Trust | July 2011 |
| China Merchants Bank | Tibet Trust | Pending | Pending |
| Great Wall Asset Management Company | Yili Trust | Pending | Pending |
| Hainan Development Holdings Limited & Hainan Iron & Steel | Hainan Trust | Pending | Pending |
| Shanghai International Group | Aijian Trust | Pending | Pending |

## Appendix 4: Definitions

| No. | Terms | Definition |
|---|---|---|
| 1 | Net revenue | Gross revenue less expenses |
| 2 | Net interest revenue | Interest revenue less interest expenses |
| 3 | Net fee and commission income | Fee and commission income less related expenses. This number encompasses all service-related income from the financial statements of trust companies, even those that appear as separate line items in their income statements (i.e. management fees, leasing income, etc.) |
| 4 | Net profit | Gross profit less interest, tax and other expenses |
| 5 | Net fee and commission income/ net revenue | Net fee and commission income as a percentage of gross revenue |
| 6 | Net interest income/ net revenue | Net interest income as a percentage of net revenue |
| 7 | Return on equity (ROE) | Net profit as a percentage of total equity |
| 8 | Interest revenue of AUM | Interest revenue less interest related expenses (of AUM) |
| 9 | Non-interest revenue of AUM | Gross revenue less interest income (of AUM) |
| 10 | Gross revenue of AUM | Gross revenue derived from the management of non-proprietary assets |
| 11 | Net profit of AUM | Total revenue less expenses (of AUM) |
| 12 | Interest revenue/gross revenue of AUM | Interest revenue derived from AUM as a percentage of gross revenue of AUM |
| 13 | Non-interest revenue/ gross revenue of AUM | Non-interest revenue derived from AUM as a percentage of gross revenue of AUM |
| 14 | Return on trust assets (ROA) | Net profit as a percentage of total trust assets |
| 15 | PPP (profit per person) | Net profit divided by the number of employees |



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Publication number: CN-FS11-0004

Publication date: July 2011