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LUCION

Shandong International Trust Co., Ltd.

山東省國際信託股份有限公司

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

(Stock Code: 1697)

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

RENEWED FRAMEWORK AGREEMENTS

The Board is pleased to announce that on 26 August 2019, the Company entered into the Renewed Framework Agreements with certain connected persons of the Company to renew (i) the Existing CNPC Assets Management Trust Framework Agreement; (ii) the Existing Lucion Group Trust Framework Agreement; (iii) the Existing Lucion Group Trust Financing Framework Agreement; (iv) the Existing Lucion Outdoor Advertising Framework Agreement; (v) the Existing Taishan Trust Consulting Framework Agreement and (vi) the Existing Lucion Information Technology Service Framework Agreement respectively, for a term of three years commencing from 1 January 2020 and ending on 31 December 2022.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, since (i) CNPC Assets Management is a Substantial Shareholder of the Company holding approximately 18.75% of the total issued Shares of the Company; (ii) Lucion Group is the Controlling Shareholder of the Company holding approximately 47.12% of the total issued Shares of the Company; (iii) each of Shandong Luxin Advertisement and Luxin Science and Technology is a non wholly-owned subsidiary of Lucion Group; and (iv) Shandong Taishan Culture Art Exchange is a 30%-controlled company held by Lucion Group, each of the above mentioned entities is a connected person of the Company and the transactions to be contemplated under the Renewed Framework Agreements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratio(s) (other than the profits ratio) (as defined in Rule 14.07 of the Listing Rules) in respect of the respective highest annual caps of the transactions to be contemplated under the (i) Lucion Outdoor Advertising Framework Agreement; (ii) Taishan Trust Consulting Framework Agreement; and (iii) Lucion Information Technology Service Framework Agreement are more than 0.1% but less than 5%, the transactions to be contemplated thereunder are subject to the reporting, announcement and annual review requirements, but are exempt from the circular and independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

As one or more applicable percentage ratios (other than the profits ratio) (as defined in Rule 14.07 under the Listing Rules) in respect of the respective highest annual caps of the transactions to be contemplated under the (i) CNPC Assets Management Trust Framework Agreement; (ii) Lucion Group Trust Framework Agreement; and (iii) Lucion Group Trust Financing Framework Agreement exceeds 5%, the transactions to be contemplated thereunder are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

CNPC Assets Management and its associates will abstain from voting on the resolutions proposed for approving the CNPC Assets Management Trust Framework Agreement at the general meeting, and Lucion Group and its associates will abstain from voting on the resolutions proposed for approving the Lucion Group Trust Framework Agreement and the Lucion Group Trust Financing Framework Agreement at the general meeting.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee has been formed to advise the Independent Shareholders with respect to (i) the CNPC Assets Management Trust Framework Agreement, (ii) the Lucion Group Trust Framework Agreement and (iii) the Lucion Group Trust Financing Framework Agreement and their respective proposed annual caps.

Gram Capital has been appointed, with the approval of the Independent Board Committee, as the Independent Financial Adviser to make recommendations to the Independent Board Committee and the Independent Shareholders as to the fairness and reasonableness of (i) the CNPC Assets Management Trust Framework Agreement; (ii) the Lucion Group Trust Framework Agreement and (iii) the Lucion Group Trust Financing Framework Agreement and their respective proposed annual caps.

GENERAL

A circular containing, among other things, further details of (i) the CNPC Assets Management Trust Framework Agreement, the Lucion Group Trust Framework Agreement, the Lucion Group Trust Financing Framework Agreement and their respective proposed annual caps; (ii) the letter from the Independent Board Committee to the Independent Shareholders; (iii) the letter from Gram Capital to the Independent Board Committee and the Independent Shareholders; and (iv) other information as required under the Listing Rules, together with the notice of the general meeting, will be despatched to the Shareholders not more than 15 business days after the publication of this announcement (i.e. on or before 13 September 2019) in accordance with the requirements of the Listing Rules.

1. BACKGROUND

Reference is made to the section headed “Connected Transactions” in the Prospectus in relation to, among other things, (i) the Existing CNPC Assets Management Trust Framework Agreement; (ii) the Existing Lucion Group Trust Framework Agreement; (iii) the Existing Lucion Group Trust Financing Framework Agreement; (iv) the Existing Lucion Outdoor Advertising Framework Agreement; (v) the Existing Taishan Trust Consulting Framework Agreement; and (vi) the Existing Luxin Information Technology Service Framework Agreement (collectively the “**Existing Framework Agreements**”).

The Board is pleased to announce that on 26 August 2019, the Company entered into the Renewed Framework Agreements to renew the Existing Framework Agreements for a term of three years commencing from 1 January 2020 and ending on 31 December 2022.

2. CNPC ASSETS MANAGEMENT TRUST FRAMEWORK AGREEMENT

The summary of the principal terms of the CNPC Assets Management Trust Framework Agreement is set forth below:

Date: 26 August 2019

Parties:

- (i) the Company (as the trustee); and
- (ii) CNPC Assets Management (for itself and on behalf of its associates) (as the trustor client(s)).

Description of the transactions:

In the ordinary course of business, the Company accepts entrustment of funds and assets from its trustor clients. Through establishment of different trusts, the Company manages the entrusted funds and property for its trustor clients during the terms of the trusts. In return, the Company receives trustee's remuneration from various trusts that the Company established for the trustor clients. Subject to the terms and conditions of the CNPC Assets Management Trust Framework Agreement, the Company will enter into specific trust contracts separately with relevant trustor clients to set out the specific terms and conditions in respect of trust transactions.

Pricing Policy:

- the trustee's remuneration shall be determined with reference to the trust AUM and investment return on the trust assets (the trustee's remuneration rate (annualised) of the existing trusts managed by the Company ranges from approximately 0.1%-5%);
- the level of the trustee's remuneration may be varied depending on the actual scope of services the Company will provide under the relevant trust as well as the expected return to beneficiaries of the trusts, but in any event shall be in line with market price for similar products;

- in respect of the individual trusts which are based on one-on-one engagement and involve only CNPC Assets Management or any of its associates as the sole trustor, the Company shall take into consideration the terms of at least two other individual trusts of similar purpose with similar kind of entrusted assets involving independent third parties as trustor clients before the Company approves the establishment of the trust for CNPC Assets Management or any of its associates. The terms of any trusts established for CNPC Assets Management or any its associates, in particular the trustee's remuneration rate, shall be comparable to those trusts of which independent third parties are trustors; and
- in respect of the collective trusts which the Company manages and disposes of the assets entrusted by all trustors as a whole irrespective of the identities of the trustors, the Company shall ensure that no preferential treatment will be provided to CNPC Assets Management and its associates in terms of the verification and selection process of the potential trustors for the investment in the collective trusts. The trust contract to be entered into by CNPC Assets Management and its associates shall be on the terms same as that of trustors who are independent third parties investing in the same collective trust.

Historical figures, existing annual caps and proposed annual caps

The following table sets out the historical figures and the existing annual caps under the Existing CNPC Assets Management Trust Framework Agreement and the proposed annual caps under the CNPC Assets Management Trust Framework Agreement:

	For the year ended/as at 31 December						For the year ending 31 December/ as at 31 December		
	2017		2018		Historical amount for the six months ended/as at 30 June 2019 (RMB'000)	Existing annual cap for the year ending 31 December 2019 (RMB'000)	2020 Proposed annual cap (RMB'000)	2021 Proposed annual cap (RMB'000)	2022 Proposed annual cap (RMB'000)
	Historical amount (RMB'000)	Existing annual cap (RMB'000)	Historical amount (RMB'000)	Existing annual cap (RMB'000)					
Trustee's remuneration received/to be received from the trusts of which CNPC Assets Management and/or its associates are trustees	nil	54,000	nil	90,000	nil	90,000	140,000	157,500	175,000
Maximum outstanding balance of the assets and funds to be entrusted by CNPC Assets Management and/or its associates	nil	6,000,000	nil	10,000,000	nil	10,000,000	4,000,000	4,500,000	5,000,000

The proposed annual caps under the CNPC Assets Management Trust Framework Agreement have been determined after taking into consideration of the following factors, among other things:

- (1) the confirmation provided to the Company by CNPC Assets Management, pursuant to which CNPC Assets Management estimated that the transaction amounts of trust transactions to be conducted with the Company will be no less than RMB3.5 billion, RMB4 billion and RMB4.5 billion for the years ending 31 December 2020, 2021 and 2022, respectively;
- (2) relevant trust contracts to be entered into between the Company, CNPC Assets Management and its associates, in particular, the Company and CNPC Assets Management are in the process of negotiating certain trust contracts involving management of trust assets with a maximum amount of around RMB3 billion;

- (3) the expected business growth of CNPC Assets Management and its associates in the future and the increase in the scale of its assets that can be entrusted for investment;
- (4) the actual trustee's remuneration rate to be received by the Company as trustee for the management of trust assets; and
- (5) the expected growth in the scale of the trust business of the Company in the future, the continuous improvement in its active management capability and the increase in the trustee's remuneration rate.

Reasons and benefits for the transactions

CNPC Assets Management is an indirect subsidiary of China National Petroleum Corporation and serves as the investment platform for the group of China National Petroleum Corporation. It is principally engaged in investment and asset management, with total assets of RMB31.6 billion and net assets of RMB16.4 billion as at the end of 2018. CNPC Assets Management and its associates have strong capital strength and demand for assets and wealth management.

Being a trust company regulated by the CBIRC, the Company provides diversified trust, assets management and wealth management products and services to clients to meet their multi-tiered wealth management needs. As such, the Company is able to provide trust management services that cater to CNPC Assets Management's needs, and at the same time, the Company can earn a certain amount of trustee's remuneration at terms no less favourable than those offered to independent third parties. Further, the Company and CNPC Asset Management are in the process of negotiating of certain trust contracts of trust assets involving management with the maximum balance of approximately RMB3 billion. Therefore, entering into the CNPC Asset Management Trust Framework Agreement is line with the actual needs for the operation and development of the Company's principal business.

Given transactions to be contemplated under the CNPC Assets Management Trust Framework Agreement are in the ordinary and usual course of business of the Company and are under normal commercial terms, the Directors (excluding the independent non-executive Directors whose views will be formed after taking into account the advice of Gram Capital and Mr. Xiao Hua who has abstained from voting on the relevant Board resolutions voluntarily) are of the view that the terms of the CNPC Assets Management Trust Framework Agreement and the proposed annual caps in this announcement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

3. LUCION GROUP TRUST FRAMEWORK AGREEMENT

The summary of the principal terms of the Lucion Group Trust Framework Agreement is set forth below:

Date: 26 August 2019

Parties:

- (i) the Company (as the trustee); and
- (ii) Lucion Group (for itself and on behalf of its associates) (as the trustor client(s)).

Description of the transactions:

In the ordinary course of business, the Company accepts entrustment of funds and property from Lucion Group and its associates. Through establishment of different trusts, the Company manages the entrusted funds and assets for Lucion Group and its associates during the terms of the trusts. In return, the Company receives trustee's remuneration from various trusts that the Company established for Lucion Group and its associates. Subject to the terms and conditions of the Lucion Group Trust Framework Agreement, the Company will enter into specific trust contracts separately with relevant trustor clients to set out the specific terms and conditions in respect of trust transactions.

Pricing Policy:

- the trustee's remuneration shall be determined with reference to the trust AUM and investment return on the trust assets (the trustee's remuneration rate (annualised) of the existing trusts managed by the Company ranges from approximately 0.1%-5%);
- the level of the trustee's remuneration may be varied depending on the actual scope of services the Company will provide under the relevant trust as well as the expected return to beneficiaries of the trusts, but in any event shall be in line with market price for similar products;

- in respect of the individual trusts which are based on one-on-one engagement and involve only Lucion Group or any of its associates as the only trustor, the Company shall take into consideration the terms of at least two other individual trusts of similar purpose with similar kind of entrusted assets involving independent third parties as trustor clients before he/she approves the establishment of the trust for Lucion Group or any of its associates. The terms of any trusts established for Lucion Group or any its associates, in particular the trustee's remuneration rate, shall be comparable to those trusts of which independent third parties are trustors; and
- in respect of the collective trusts which the Company manages and disposes of the assets entrusted by all trustors as a whole irrespective of the identities of the trustors, the Company shall ensure that no preferential treatment will be provided to Lucion Group and its associates in terms of the verification and selection process of the potential trustors for the investment in the collective trusts. The trust contract to be entered into by Lucion Group and its associates shall be on the terms same as that of trustors who are independent third parties investing in the same collective trust.

Historical figures, existing annual caps and proposed annual caps

The following table sets out the historical figures and the existing annual caps under the Existing Lucion Group Trust Framework Agreement and the proposed annual caps under the Lucion Group Trust Framework Agreement:

	For the year ended/as at 31 December					For the year ending 31 December/ as at 31 December			
	2017	2017	2018	2018	Historical amount for the six months ended/as at 30 June 2019	Existing annual cap for the year ending 31 December 2019	2020	2021	2022
	Historical amount (RMB'000)	Existing annual cap (RMB'000)	Historical amount (RMB'000)	Existing annual cap (RMB'000)	(RMB'000)	(RMB'000)	Proposed annual cap (RMB'000)	Proposed annual cap (RMB'000)	Proposed annual cap (RMB'000)
Trustee's remuneration received/to be received from the trusts of which Lucion Group and/or its associates are trustors	87,732	123,000	41,780	184,500	7,173	221,400	130,000	150,000	170,000
Maximum outstanding balance of the assets and funds to be entrusted by Lucion Group and/or its associates	4,002,405	10,000,000	3,456,894	15,000,000	3,787,954	18,000,000	6,500,000	7,500,000	8,500,000

The proposed annual caps under the Lucion Group Trust Framework Agreement have been determined after taking into consideration of the following factors, among other things:

- (1) the confirmation provided to the Company by Lucion Group, pursuant to which Lucion Group estimated that the transaction amounts of trust transactions to be conducted with the Company will be no less than RMB6 billion, RMB7 billion and RMB8 billion for the years ending 31 December 2020, 2021 and 2022, respectively;
- (2) relevant trust contracts to be entered into between the Company, Lucion Group and its associates, in particular, the Company is in the process of negotiating two trust contracts with the associates of Lucion Group to manage trust assets with the highest scale of approximately RMB3.2 billion in aggregate;

- (3) the expected business growth of Lucion Group and its associates and the scale of assets that can be entrusted for investment in the future;
- (4) the actual trustee's remuneration rate to be received by the Company as trustee for the management of trust assets; and
- (5) the expected growth in the scale of the trust business of the Company in the future, the continuous improvement in its active management capability and the increase in the trustee's remuneration rate.

Reasons and benefits for the transactions

Lucion Group is an investment and financing entity and assets management platform in Shandong Province, with total consolidated assets of RMB79.4 billion and net assets of RMB30.1 billion as at the end of 2018. Lucion Group and its associates have strong capital strength and demand for assets and wealth management.

Being a trust company regulated by the CBIRC, the Company provides diversified assets management and wealth management products and services to clients to meet their multi-tiered wealth management needs. As such, the Company is able to provide trust management services that cater to Lucion Group's needs, and at the same time, the Company can earn a certain amount of trustee's remuneration at terms no less favourable to the Company than those offered to an independent third party. Further, the Company and the associates of Lucion Group is in the process of negotiating a trust contract with trust assets with the highest scale amounting to approximately RMB3.2 billion in aggregate. Therefore, entering into the Lucion Group Trust Framework Agreement is line with the actual needs for the operation and development of the Company's principal business.

Given transactions to be contemplated under the Lucion Group Trust Framework Agreement are in the ordinary and usual course of business of the Company, and are under normal commercial term, the Directors (excluding the independent non-executive Directors whose views will be formed after taking into account the advice of Gram Capital and Mr. Wan Zhong and Mr. Jin Tongshui who have abstained from voting on the relevant Board resolutions voluntarily) are of the view that the terms of the Lucion Group Trust Framework Agreement and the annual caps in this announcement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

4. LUCION GROUP TRUST FINANCING FRAMEWORK AGREEMENT

The summary of the principal terms of the Lucion Group Trust Financing Framework Agreement is set forth below:

Date: 26 August 2019

Parties: (i) the Company (as the trustee); and
(ii) Lucion Group (for itself and on behalf of its associates) (as the financing client(s)).

Description of the transactions: Lucion Group and/or its associates may from time to time seek funding from the trusts administered or managed by the Company and in the ordinary course of business, and the Company in its capacity as trustee will enter into loan or financing agreements with Lucion Group and/or its associates. Interest payment and financing fees to be paid by Lucion Group and its associates in respect of the above loan and financing transactions will be received by the trusts and will form part of the trust assets. Such loan and financing transactions do not generate any income for the Company as trustee directly. Instead, the Company will receive trustee's remuneration out of the trust assets which grow as a result of the above loan and financing transactions. Subject to the terms and conditions of the Lucion Group Trust Financing Framework Agreement, the Company will enter into specific financing contracts separately with relevant financing clients to set out the specific terms and conditions in respect of loan and financing transactions.

Pricing Policy:

- the pricing policy is subject to guidelines set by the PBOC, if applicable;

- the interest rates charged on the loans to be extended to Lucion Group and its associates shall be comparable and shall be (i) not lower than the loan interest rates prescribed by the PBOC for loans with the same term and of the same time, subject to the relevant regulatory requirements; (ii) not lower than the interest rates offered to Lucion Group and its associates by the major commercial banks in the PRC for loans with the same term and of the same type; and (iii) not lower than the interest rates offered to the other financing clients of the Company whom are independent third parties in respect of loans with the same term extended from the Company's trusts within the preceding three calendar months; and
- the trustee's remuneration to be received from the trusts providing financing or loans to Lucion Group and its associates shall be negotiated and agreed separately and independently between the Company and the relevant trustors.

Historical figures, existing annual caps and proposed annual caps

The following table sets out the historical figures and the existing annual caps under the Existing Lucion Group Trust Financing Framework Agreement and the proposed annual caps under the Lucion Group Trust Financing Framework Agreement:

	For the year ended/as at 31 December					For the year ending 31 December/ as at 31 December			
	2017	2017	2018	2018	Historical amount for the six months ended/as at 30 June 2019	Existing annual cap for the year ending 31 December 2019	2020	2021	2022
	Historical amount (RMB'000)	Existing annual cap (RMB'000)	Historical amount (RMB'000)	Existing annual cap (RMB'000)	(RMB'000)	(RMB'000)	Proposed annual cap (RMB'000)	Proposed annual cap (RMB'000)	Proposed annual cap (RMB'000)
Trustee's remuneration received/to be received from the trusts providing financing to Lucion Group and/or its associates	37,477	60,000	15,441	80,000	4,472	96,000	48,000	52,000	56,000
Outstanding balance (including interests accrued thereon) of the loans or financing extended to Lucion Group and/or its associates	9,263,415	15,000,000	4,933,360	20,000,000	4,250,223	24,000,000	12,000,000	13,000,000	14,000,000

The proposed annual caps under the Lucion Group Trust Financing Framework Agreement have been determined after taking into consideration of the following factors, among other things:

- (1) the confirmation provided to the Company by Lucion Group, pursuant to which Lucion Group estimated that the transaction amounts of loan and financing transactions to be conducted with the Company will be no less than RMB11 billion, RMB12 billion and RMB13 billion for the years ending 31 December 2020, 2021 and 2022, respectively;
- (2) the historical transaction amounts for loans or financing extended to Lucion Group and its associates, notwithstanding the temporary reduction in the transaction amount in 2018, the outstanding balances of the loans extended to Lucion Group and its associates reached RMB10.3 billion and RMB9.2 billion as at 31 December 2016 and 2017, respectively;

- (3) the future financing plans of Lucion Group. Lucion Group's businesses cover different industries such as culture and media, tourism, infrastructure, real estate, energy and technologies. Therefore, Lucion Group will continue to procure loans or financing from the trusts managed by the Company in support of the growth and development of its businesses;
- (4) the future financing plans and preferential financing methods of Lucion Group;
- (5) the actual trustee's remuneration rate to be received by the Company as trustee for the management of trust assets; and
- (6) the expected growth in the scale of the trust business of the Company in the future, the continuous improvement in its active management capability and the increase in the trustee's remuneration rate.

Reasons and benefits for the transactions

As one of the important subsidiaries engaging in asset management and financial services of Lucion Group, the Company can provide financing services to Lucion Group, and at the same time, the Company can earn a certain amount of trustee's remuneration, at terms no less favourable than those offered to independent third parties.

Given transactions to be contemplated under the Lucion Group Trust Financing Framework Agreement are in the ordinary and usual course of business of the Company and are under normal commercial terms, the Directors (excluding the independent non-executive Directors whose views will be formed after taking into account the advice of Gram Capital and Mr. Wan Zhong and Mr. Jin Tongshui who have abstained from voting on the relevant Board resolutions voluntarily) are of the view that the terms of the Lucion Group Trust Financing Framework Agreement and the proposed annual caps in this announcement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

5. LUCION OUTDOOR ADVERTISING FRAMEWORK AGREEMENT

The summary of the principal terms of the Lucion Outdoor Advertising Framework Agreement is set forth below:

Date: 26 August 2019

Parties: (i) the Company (as the client); and
(ii) Shandong Luxin Advertisement (as the service provider).

Description of the transactions: Pursuant to the Lucion Outdoor Advertising Framework Agreement, the Company shall engage Shandong Luxin Advertisement to design, produce and maintain various outdoor advertisement boards for the Company. Subject to the terms and conditions of the Lucion Outdoor Advertising Framework Agreement, the Company will enter into specific outdoor advertising contracts separately with Shandong Luxin Advertisement or entities controlled by it to set out the specific terms and conditions in respect of outdoor advertising transactions.

Pricing Policy: Under the Lucion Outdoor Advertising Framework Agreement, the service fee shall be determined on a cost-plus basis, with a mark-up rate of no more than 18%. The service fee shall not be higher than the prices at which the Company procure similar services from independent third party advertising service providers. Shandong Luxin Advertisement shall provide the price lists to the Company on a regular basis for the independent non-executive Directors to review and approve. As the independent non-executive Directors will compare the price lists provided by Shandong Luxin Advertisement with those provided by the independent third party advertising service providers from whom the Company procure similar services, the Directors are of the view that the said procedure can ensure that the transactions will be conducted on normal commercial terms and no preferential treatment will be provided to Shandong Luxin Advertisement.

Historical figures and proposed annual caps

The transactions contemplated under the Existing Luxin Outdoor Advertising Framework Agreement were fully exempt continuing connected transactions and the transactions to be contemplated under the Lucion Outdoor Advertising Framework Agreement will be partially exempt continuing connected transactions subject to the annual reporting and announcement requirements. The following table sets out the historical figures under the Existing Luxin Outdoor Advertising Framework Agreement and the proposed annual caps under the Lucion Outdoor Advertising Framework Agreement:

	For the year ended 31 December			For the year ending 31 December		
	2017	2018	Historical amount for the six months ended 30 June 2019	2020	2021	2022
	Historical amount	Historical amount		Proposed annual cap	Proposed annual cap	Proposed annual cap
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
			(unaudited)			
Amount paid/payable to Shandong Luxin Advertisement for the provision of outdoor advertising service to the Company	2,530	2,150	912	10,000	10,000	10,000

The proposed annual caps under the Lucion Outdoor Advertising Framework Agreement have been determined after taking into consideration of the following factors, among other things:

- (1) the necessity to further promote the Company's brand to the entire Shandong province as the Company aims at reinforcing its dominant position and brand reputation in Shandong province;
- (2) the plan to broadcast the Company's advertisements in cities of Jinan and Qingdao including the newly constructed airports and high-speed rail stations in such areas, which serves as powerful platforms for the Company to promote its brand and increase client coverage. In light of government regulations, rare resources, gradual increase in unit price of advertisement space, and the expected increase in the number of outdoor advertisements of the Company, the Company has increased the advertising budget, including that for Lucion Group; and
- (3) the trend of greater emphasis on putting more resources on advertisement and promotion, from the perspectives of trust industry.

Reasons and benefits for the transactions

Shandong Luxin Advertisement has extensive experience in providing outdoor advertising services and has a dedicated team providing services to the Company of good quality. Therefore, the Company believes that the outdoor advertising services from Shandong Luxin Advertisement allows for greater efficiency and allows the Company to focus on its core operations.

Given transactions to be contemplated under the Lucion Outdoor Advertising Framework Agreement are in the ordinary and usual course of business of the Company and are under normal commercial term, the Directors (including the independent non-executive Directors but not including Mr. Wan Zhong and Mr. Jin Tongshui who have abstained from voting on the relevant Board resolutions voluntarily) are of the view that the terms of the Lucion Outdoor Advertising Framework Agreement and the proposed annual caps in this announcement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

6. TAISHAN TRUST CONSULTING FRAMEWORK AGREEMENT

The summary of the principal terms of the Taishan Trust Consulting Framework Agreement is set forth below:

Date: 26 August 2019

Parties:

- (i) the Company (as the trustee); and
- (ii) Shandong Taishan Culture Art Exchange (as the service provider to trusts managed and/or invested by us).

Description of the transactions:

Pursuant to the Taishan Trust Consulting Framework Agreement, the Company shall in its capacity as trustee engage Shandong Taishan Culture Art Exchange from time to time to provide trust consulting services in relation to artwork investment collective trusts that are or will be managed by the Company (the “**Artwork Investment Collective Trusts**”). Subject to the terms and conditions of the Taishan Trust Consulting Framework Agreement, the Company will enter into specific trust consulting service contracts separately with Shandong Taishan Culture Art Exchange to set out the specific terms and conditions in respect of the provisions of trust consulting services.

Pricing Policy:

Under the Taishan Trust Consulting Framework Agreement, the consulting fee consists of fixed consulting fee and floating consulting fee. The fixed consulting fee is calculated by multiplying the total trust AUM under each of the Artwork Investment Collective Trusts by a consulting fee rate of not more than 2.5% per annum. The floating consulting fee is negotiated and agreed by the parties on an arm's length basis with reference to the total rate of return of the respective Artwork Investment Collective Trusts. The Company shall take into account the available rates of consulting fees for similar consulting services charged by independent third parties before he/she approves individual contracts to be entered into under the Taishan Trust Consulting Framework Agreement.

Historical figures, existing annual caps and proposed annual caps

The following table sets out the historical figures and the existing annual caps under the Existing Taishan Trust Consulting Framework Agreement and the proposed annual caps under the Taishan Trust Consulting Framework Agreement:

	For the year ended 31 December					For the year ending 31 December			
	2017	2017	2018	2018	Historical amount for the six months ended 30 June 2019	Existing annual cap for the year ending 31 December 2019	2020	2021	2022
	Historical amount (RMB'000)	Existing annual cap (RMB'000)	Historical amount (RMB'000)	Existing annual cap (RMB'000)			Proposed annual cap (RMB'000)	Proposed annual cap (RMB'000)	Proposed annual cap (RMB'000)
Amount of consulting fees paid/payable to Shandong Taishan Culture Art Exchange	4,590	5,600	2,124	6,700	175	8,040	6,000	6,000	6,000

The proposed annual caps under the Taishan Trust Consulting Framework Agreement have been determined after taking into consideration of the following, among other things:

- (1) the historical transaction amounts for the two years ended 31 December 2018;
- (2) the potential number of the Artwork Investment Collective Trusts to be managed by the Company in the future and the Company's strategy in developing the alternative investment trust business;
- (3) the expected potential increase in the consulting fee rate charged by Shandong Taishan Culture Art Exchange; and
- (4) the stable development of the business involving Artwork Investment Collective Trusts would be moderate in the future.

Reasons and benefits for the transactions

Shandong Taishan Culture Art Exchange has extensive experience in providing trust consulting service and has been delivering the services to the Company of good quality. The renewal of the consulting service will allow the Company to leverage the expertise of Shandong Taishan Culture Art Exchange specialising in artwork investment, thereby allowing the Company to focus on its core operations.

Given transactions to be contemplated under the Taishan Trust Consulting Framework Agreement are conducted in the ordinary and usual course of business of the Company and are under normal commercial terms, the Directors (including independent non-executive Directors but not including Mr. Wan Zhong and Mr. Jin Tongshui who have abstained from voting on the relevant Board resolutions voluntarily) are of the view that the terms of the Taishan Trust Consulting Framework Agreement and the proposed annual caps in this announcement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

7. LUCION INFORMATION TECHNOLOGY SERVICE FRAMEWORK AGREEMENT

The summary of the principal terms of the Lucion Information Technology Service Framework Agreement is set forth below:

Date: 26 August 2019

Parties: (i) the Company (as the client); and
(ii) Luxin Science and Technology (as the service provider).

Description of the transactions: Pursuant to the Information Technology Service Framework Agreement, the Company shall engage Luxin Science and Technology to provide information technology services to the Company, including system maintenance, research and development and consulting services in relation to information technology systems and administrative services involving information technology work, and Luxin Science and Technology shall also assist the Company in the procurement of software and hardware equipment. Subject to the terms and conditions of the Lucion Information Technology Service Framework Agreement, the Company will enter into specific information technology service project contracts separately with Luxin Science and Technology to set out the specific terms and conditions in respect of the provisions of information technology services.

Pricing Policy: Under the Lucion Information Technology Service Framework Agreement, the service fee for technology maintenance shall be determined with reference to the market price for system maintenance for companies in the same industry and shall not exceed RMB400,000 per system per year, and the service fee for the research and development and consulting services, the administrative services, and the procurement of software and hardware equipment shall be determined on a cost-plus basis, with a mark-up rate of no more than 10%.

Also, the Company will continue to implement its bidding procedure pursuant to which any product or service procurement projects with value exceeding RMB200,000 shall usually be subject to such procedure, including projects involving Luxin Science and Technology to be carried out under the Lucion Information Technology Service Framework Agreement.

Historical figures, existing annual caps and proposed annual caps

The following table sets out the historical figures and the existing annual cap under the Existing Luxin Information Technology Service Framework Agreement and the proposed annual caps under the Lucion Information Technology Service Framework Agreement:

	For the year ended 31 December					For the year ending 31 December			
	2017		2018		Historical amount for the six months ended 30 June 2019 (RMB'000)	Existing annual cap for the year ending 31 December 2019 (RMB'000)	2020 Proposed annual cap (RMB'000)	2021 Proposed annual cap (RMB'000)	2022 Proposed annual cap (RMB'000)
	Historical amount (RMB'000)	Existing annual cap (RMB'000)	Historical amount (RMB'000)	Existing annual cap (RMB'000)					
Amount of consulting fees paid/payable to Luxin Science and Technology	10,349	12,000	5,956	16,000	4,539	20,000	20,000	25,000	30,000

The proposed annual caps under the Lucion Information Technology Service Framework Agreement have been determined after taking into consideration of the following, among other things:

- (1) the projected increase in the Company's demand for information technology services for system development and upgrade to improve the operational efficiency;
- (2) the anticipated increase in the system maintenance cost due to the increase in the number of the Company's information system and the increase in labour costs; and
- (3) the historical transaction amounts for the two years ended 31 December 2018.

Reasons and benefits for the transactions

Since Luxin Science and Technology has extensive experience in providing information technology services to the Company and is familiar with the Company's information technology systems and operation, it will be more cost-efficient for the Company to engage Luxin Science and Technology in providing the information technology service when compared with other independent service providers.

Given transactions to be contemplated under the Lucion Information Technology Service Framework Agreement are in the ordinary and usual course of business of the Company, and are under normal commercial terms, the Directors (including independent non-executive Directors but not including Mr. Wan Zhong and Mr. Jin Tongshui who have abstained from voting on the relevant Board resolutions voluntarily) are of the view that the terms of the Lucion Information Technology Service Framework Agreement and the proposed annual caps in this announcement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

8. IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, since (i) CNPC Assets Management is a Substantial Shareholder of the Company holding approximately 18.75% of the total issued shares of the Company; (ii) Lucion Group is the Controlling Shareholder of the Company holding approximately 47.12% of the total issued shares of the Company; (iii) each of Shandong Luxin Advertisement and Luxin Science and Technology is a non wholly-owned subsidiary of Lucion Group; and (iv) Shandong Taishan Culture Art Exchange is a 30%-controlled company held by Lucion Group, each of the above mentioned entities is a connected person of the Company and the transactions to be contemplated under the Renewed Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratio(s) (other than profits ratio) (as defined in Rule 14.07 of the Listing Rules) in respect of the respective highest annual caps of the transactions to be contemplated under the (i) Lucion Outdoor Advertising Framework Agreement, (ii) Taishan Trust Consulting Framework Agreement and (iii) Lucion Information Technology Service Framework Agreement are more than 0.1% but less than 5%, the transactions to be contemplated thereunder are subject to the reporting, announcement and annual review requirements, but are exempt from the circular and independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (other than profits ratio) (as defined in Rule 14.07 under the Listing Rules) in respect of the highest annual caps of the transactions to be contemplated under the (i) CNPC Assets Management Trust Framework Agreement; (ii) Lucion Group Trust Framework Agreement and (iii) Lucion Group Trust Financing Framework Agreement exceeds 5%, the transactions to be contemplated thereunder are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, none of the Directors has any material interest in the Renewed Framework Agreements. But, (i) Mr. Wan Zhong (an executive Director) and Mr. Jin Tongshui (a non-executive Director), have voluntarily abstained from voting on the relevant Board resolutions approving the Lucion Group Trust Framework Agreement, the Lucion Group Trust Financing Framework Agreement, the Lucion Outdoor Advertising Framework Agreement, the Taishan Trust Consulting Framework Agreement and the Lucion Information Technology Service Framework Agreement for the reason that they also serve positions in Lucion Group and/or its associates; and (ii) Mr. Xiao Hua (a non-executive Director), has voluntarily abstained from voting on the relevant Board resolutions approving the CNPC Assets Management Trust Framework Agreement for the reason that he also serves position in CNPC Asset Management.

CNPC Assets Management and its associates have material interests in the transactions to be contemplated under the CNPC Assets Management Trust Framework Agreement, and Lucion Group and its associates have material interests in the transactions to be contemplated under the Lucion Group Trust Framework Agreement and the Lucion Group Trust Financing Framework Agreement. Therefore, CNPC Assets Management and its associates are required to abstain from voting on the resolution proposed for approving the CNPC Assets Management Trust Framework Agreement, and Lucion Group is required to abstain from voting on the resolutions proposed for approving the Lucion Group Trust Framework Agreement and the Lucion Group Trust Financing Framework Agreement.

9. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee has been formed to advise the Independent Shareholders with respect to (i) the CNPC Assets Management Trust Framework Agreement, (ii) the Lucion Group Trust Framework Agreement and (iii) the Lucion Group Trust Financing Framework Agreement and their respective proposed annual caps.

Gram Capital has been appointed, with the approval of the Independent Board Committee, as the Independent Financial Adviser to make recommendations to the Independent Board Committee and the Independent Shareholders as to the fairness and reasonableness of (i) the CNPC Assets Management Trust Framework Agreement, (ii) the Lucion Group Trust Framework Agreement and (iii) the Lucion Group Trust Financing Framework Agreement and their respective proposed annual caps.

10. GENERAL

A circular containing, among other things, (i) further details of the CNPC Assets Management Trust Framework Agreement, the Lucion Group Trust Framework Agreement and the Lucion Group Trust Financing Framework Agreement and their respective proposed annual caps thereunder; (ii) the letter from the Independent Board Committee to the Independent Shareholders; (iii) the letter from Gram Capital to the Independent Board Committee and the Independent Shareholders; and (iv) other information as required under the Listing Rules, together with the notice of the general meeting, will be despatched to the Shareholders not more than 15 business days after the publication of this announcement (i.e. on or before 13 September 2019 in accordance with the requirements of the Listing Rules).

11. INFORMATION OF THE COMPANY AND CONNECTED PARTIES

The Company is an integrated financial service institution with the major business of financing trust, investment trust and administrative management trusts with various investment forms including loan, equity investment, asset securitisation, income right securitisation and financial leasing.

Lucion Group is a limited liability company established in the PRC and an investment holding company, which is principally engaged in financial and industrial investment, asset management services, investment consultancy services and property and hotel management.

Shandong Luxin Advertisement is a limited liability company established in the PRC and principally engaged in the design, production and distribution of advertisements.

Shandong Taishan Cultural is a joint stock company limited by shares established in the PRC and principally engaged in the provision of consultancy services in relation to cultural art investment management and provision of related training, exhibitions, warehousing and other supporting services.

Luxin Science and Technology is a joint stock company limited by shares established in the PRC and principally engaged in the development, design, and the provision of technical consultancy services of information system technology.

CNPC Assets Management is a limited liability company established in the PRC and principally engaged in investment and asset management.

12. INTERNAL CONTROL MEASURES

The Company has formulated a series of measures and policies to ensure the continuing connected transactions to be implemented in accordance with the Renewed Framework Agreements and the pricing policies thereunder. The Renewed Framework Agreements together with the transactions to be contemplated thereunder will be reviewed and approved by the management of the Company to ensure that the terms of such transactions will not deviate from the terms of the Renewed Framework Agreements.

In addition, the management of the Company will review the pricing policies on a regular basis. The independent non-executive Directors will conduct an annual review of the implementation and enforcement of the continuing connected transactions (including the relevant pricing mechanism) and the auditors of the Company will evaluate and review the internal control measures of the Company and the continuing connected transactions under the Renewed Framework Agreements annually in accordance with the requirements of the Listing Rules.

13. DEFINITIONS

Unless the context otherwise requires, the following expression in this announcement shall have the following meanings:

“associates”	has the meaning ascribed to it under the Listing Rules
“AUM”	asset under management, which refers to the amount of the entrusted assets of the Company’s trust schemes
“Board”	the board of the Directors of the Company
“CBIRC”	the China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會)
“CNPC Assets Management Trust Framework Agreement”	the trust framework agreement dated 26 August 2019 entered into by the Company and CNPC Assets Management, pursuant to which the Company will provide trust services to CNPC Assets Management and its associates

“CNPC Assets Management”	CNPC Assets Management Co., Ltd. (中 油 資 產 管 理 有 限 公 司), a limited liability company established in PRC on 29 April 2000 and a Substantial Shareholder of the Company, which is an indirect wholly-owned subsidiary of CNPC Capital Company Limited By Shares (中 國 石 油 集 團 資 本 股 份 有 限 公 司), an A Share listed company whose controlling shareholder is China National Petroleum Corporation (中 國 石 油 天 然 氣 集 團 公 司), a PRC state wholly-owned company
“Company”	Shandong International Trust Co., Ltd. (山 東 省 國 際 信 託 股 份 有 限 公 司), a joint stock company established in the PRC with limited liability, whose H Shares are listed on the Hong Kong Stock Exchange (Stock Code: 1697)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Existing CNPC Assets Management Trust Framework Agreement”	the trust framework agreement dated 16 November 2017 entered into by the Company and CNPC Assets Management, pursuant to which the Company shall provide trust services to CNPC Assets Management and its associates
“Existing Lucion Group Trust Financing Framework Agreement”	the trust financing framework agreement dated 16 November 2017 entered in to by the Company and Lucion Group, pursuant to which the Company shall provide loans or financing services to Lucion Group and its associates
“Existing Lucion Group Trust Framework Agreement”	the trust framework agreement dated 16 November 2017 entered into by the Company and Lucion Group, pursuant to which the Company shall provide trust services to Lucion Group and its associates

“Existing Lucion Information Technology Service Framework Agreement”	the information technology service framework agreement dated 16 November 2017 entered into by the Company and Luxin Science and Technology, pursuant to which Luxin Science and Technology shall provide information technology services to the Company
“Existing Lucion Outdoor Advertising Framework Agreement”	the outdoor advertising framework agreement dated 16 November 2017 entered into by the Company and Shandong Luxin Advertisement, pursuant to which Shandong Luxin Advertisement shall provide outdoor advertising services to the Company
“Existing Taishan Trust Consulting Framework Agreement”	the trust consulting framework agreement dated 16 November 2017 entered into by the Company and Shandong Taishan Culture Art Exchange, pursuant to which Shandong Taishan Culture Art Exchange shall provide trust consulting services to the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Independent Board Committee”	the independent board committee of the Company, the members of which consist of all the independent non-executive Directors, formed to advise the Independent Shareholders with respect to (1) the CNPC Assets Management Trust Framework Agreement, (2) the Lucion Group Trust Framework Agreement and (3) the Lucion Group Trust Financing Framework Agreement and the proposed annual caps thereunder
“Independent Financial Adviser” or “Gram Capital”	Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to the Independent Board Committee and the independent shareholders

“Independent Shareholders”	Shareholders who are not required to abstain from voting at the general meeting
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Lucion Group”	Shandong Luxin Investment Holdings Group Co., Ltd. (山東省魯信投資控股集團有限公司), formerly known as Shandong Luxin Investment Holdings Co., Ltd. (山東省魯信投資控股有限公司), a limited liability company established on 31 January 2002 in the PRC and the Controlling Shareholder of the Company, which is owned as to 70% by the State-owned Assets Supervision and Administration Commission of Shandong Provincial Government (山東省人民政府國有資產監督管理委員會), as to 20% by Shandong Guohui Investment Co., Ltd (山東國惠投資有限公司) and as to 10% by Shandong Provincial Council for Social Security Fund (山東省社會保障基金理事會)
“Lucion Group Trust Framework Agreement”	the trust framework agreement dated 26 August 2019 entered into by the Company and Lucion Group, pursuant to which the Company will provide trust services to Lucion Group and its associates
“Lucion Group Trust Financing Framework Agreement”	the trust framework agreement dated 26 August 2019 entered into by the Company and Lucion Group, pursuant to which the Company will provide loans or financing services to Lucion Group and its associates
“Lucion Information Technology Service Framework Agreement”	the information technology service framework agreement dated 26 August 2019 entered into by the Company and Luxin Science and Technology, pursuant to which Luxin Science and Technology will provide information technology services to the Company

“Lucion Outdoor Advertising Framework Agreement”	the outdoor advertising agreement framework agreement dated 26 August 2019 entered into by the Company and Shandong Luxin Advertisement, pursuant to which Shandong Luxin Advertisement will provide outdoor advertising services to the Company
“Luxin Science and Technology”	Luxin Science and Technology Co., Ltd. (魯信科技股份有限公 司), a joint stock company limited by shares established in the PRC, which is a non wholly-owned subsidiary of Lucion Group
“PBOC”	the People’s Bank of China (中國人民銀行)
“PRC” or “China”	the People’s Republic of China but excluding, for the purposes of this announcement, Hong Kong, the Macau Special Administrative Region and Taiwan
“Prospectus”	the prospectus of the Company published on 28 November 2017
“Renewed Framework Agreements”	collectively, the (1) CNPC Assets Management Trust Framework Agreement, (2) Lucion Group Trust Framework Agreement, (3) Lucion Group Trust Financing Framework Agreement, (4) Lucion Outdoor Advertising Framework Agreement, (5) Taishan Trust Consulting Framework Agreement and (6) Lucion Information Technology Service Framework Agreement
“RMB”	the lawful currency of the PRC
“SFO” or “Securities and Futures Ordinance”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shandong Luxin Advertisement”	Shandong Luxin Advertisement Co., Ltd. (山東魯信廣告有限公 司), a limited liability company established in the PRC, which is a non-wholly owned subsidiary of Lucion Group

“Shandong Taishan Culture Art Exchange”	Shandong Taishan Culture Art Exchange Co., Ltd. (山東泰山文化藝術品交易所股份有限公司), a joint stock company limited by shares established in the PRC, which is a 30%-controlled company held by Lucion Group
“Shareholder(s)”	registered holders of the Company’s Share(s)
“Share(s)”	the share(s) in the share capital of the Company with a nominal value of RMB1.00 each
“Substantial Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Taishan Trust Consulting Framework Agreement”	the trust consulting agreement framework agreement dated 26 August 2019 entered into by the Company and Shandong Taishan Culture Art Exchange, pursuant to which Shandong Taishan Culture Art Exchange will provide trust consulting services to the Company
“%”	per cent
“30%-controlled company”	has the meaning ascribed to it under the Listing Rules

By order of the Board
Shandong International Trust Co., Ltd.
WAN Zhong
Chairperson

Jinan, the People’s Republic of China, 26 August, 2019

As of the date of this announcement, the Board comprises Mr. Wan Zhong and Mr. Yue Zengguang as executive directors; Mr. Xiao Hua and Mr. Jin Tongshui as non-executive directors; Mr. Yen Huai-chiang, Mr. Ding Huiping and Ms. Meng Rujing as independent non-executive directors.