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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)**

## **CONNECTED TRANSACTION IN RELATION TO ESTABLISHMENT OF FUND**

Reference is made to the indicative announcement of the Company dated 7 December 2018 in relation to the Company's proposed participation in the initiation and establishment of the Fund with its proprietary funds. The Board is pleased to announce that on 13 December 2019, the Company entered into the Limited Partnership Agreement with Anhui Luxin Fund Management, Shandong High-Tech, Hefei Industry Investment, Anhui Ancheng Chinese Medicine and Anhui Luxin in relation to the establishment of the Fund. Pursuant to the Limited Partnership Agreement, the Company has agreed to commit a cash contribution of RMB100 million to the Fund, representing 20% of the total capital commitment of the Fund.

As at the date of this announcement, Shandong High-Tech, Anhui Luxin and Anhui Luxin Fund Management are associates of Lucion Group, the controlling shareholder of the Company, and hence they are connected persons of the Company under Chapter 14A of the Listing Rules. Accordingly, the Limited Partnership Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios (as defined under the Listing Rules) calculated for the transaction are more than 0.1% but less than 5%, the transaction is subject to the reporting and announcement requirements but exempted from independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **INTRODUCTION**

Reference is made to the indicative announcement of the Company dated 7 December 2018 in relation to the Company's proposed participation in the initiation and establishment of the Fund with its proprietary funds. The Board is pleased to announce that on 13 December 2019, the Company entered into the Limited Partnership Agreement with Shandong High-Tech, Anhui Luxin Fund Management, Hefei Industry Investment, Anhui Ancheng Chinese Medicine and Anhui Luxin in relation to the establishment of the Fund. Pursuant to the Limited Partnership Agreement, the Company has agreed to commit a cash contribution of RMB100 million to the Fund, representing 20% of the total capital commitment of the Fund.

## **LIMITED PARTNERSHIP AGREEMENT**

The principal terms of the Limited Partnership Agreement are set out below:

### **Date**

13 December 2019

### **Parties**

- (1) Anhui Luxin Fund Management, as the General Partner;
- (2) the Company, as a Limited Partner;
- (3) Shandong High-Tech, as a Limited Partner;
- (4) Hefei Industry Investment, as a Limited Partner;
- (5) Anhui Ancheng Chinese Medicine, as a Limited Partner; and
- (6) Anhui Luxin, as a Limited Partner.

## Fund Size and Capital Contribution by the Partners

Pursuant to the Limited Partnership Agreement, total capital commitment by the Partners is RMB500 million. The capital commitment by each of the Partners is as follows:

<b>Partner</b>	<b>Capital commitment (RMB million)</b>	<b>Approximate percentage (%)</b>
Anhui Luxin Fund Management	5	1
The Company	100	20
Shandong High-Tech	125	25
Hefei Industry Investment	120	24
Anhui Ancheng Chinese Medicine	100	20
Anhui Luxin	50	10
<b>Total</b>	<b>500</b>	<b>100</b>

The capital commitment of each of the Partners is arrived at after arm's length negotiations between the parties, with reference to, among other things, the capital requirement of the Fund. The Company will finance its capital contribution with its proprietary funds.

Each of the Partners shall make its capital contribution in cash to the Fund upon the funding notice from the Executive Partner in such amounts and at such times as the Executive Partner shall deem appropriate as specified in the funding notice.

### Name of the Fund

The name of the Fund is "Anhui Luxin Wanhe Technology Innovation and Entrepreneurship Equity Investment Fund (limited partnership)\* (安徽魯信皖禾科技創新創業股權投資基金(有限合夥))".

### Term of the Fund

The initial term of the Fund shall be five years commencing from the date of the establishment of the Fund, including an investment period ("**Investment Period**") of three years and a divestment period ("**Divestment Period**") of two years. The term of the Fund may be extended for another two years ("**Extended Term**") as unanimously agreed by the Partners.

Investment Period may be extended pursuant to the terms of the Limited Partnership Agreement as agreed at the Partners' meeting.

## **Investment Objective and Scope of the Fund**

The investment objective of the Fund is to make direct or indirect equity investments in high-growth enterprises of the emerging sectors of strategic importance, such as artificial intelligence, new energy vehicles, new materials, quantum information, precision devices, high-end equipment manufacturing and health care industries, for the purpose of obtaining better returns from capital gains for the Partners. In particular, the capital invested in Hefei City, Anhui Province by the Fund shall not be less than 50% of the paid-up capital contribution of the Fund.

## **Management of the Fund**

### ***Executive Partner***

Pursuant to the Limited Partnership Agreement, the Executive Partner shall be the General Partner. The Partners unanimously agreed that Anhui Luxin Fund Management, as the General Partner, shall be the Executive Partner of the Fund, for a term of five years which shall be extended automatically along with the extension of the term of the Fund.

Pursuant to the Limited Partnership Agreement, the Executive Partner shall (i) be responsible for the daily operation and management of the Fund and act on behalf of the Fund; (ii) appoint the members of the investment decision committee pursuant to the terms of the Limited Partnership Agreement; (iii) establish the basic management systems and detailed regulations of the Fund; (iv) convene, preside over and attend the Partners' meeting, and exercise corresponding voting right; (v) make decision on investment matters in relation to the Fund within the scope of its authority pursuant to the terms of the Limited Partnership Agreement; (vi) be entitled to enter into contracts, agreements and other arrangements on behalf of the Fund.

### ***Partners' Meeting***

The Partners' meeting formed by the Partners as a whole is responsible for deciding on material matters in relation to the Fund, including alteration of the Limited Partnership Agreement, decision on joining/withdrawal of the Partners, extension of the term of the Fund, the liquidation of the Fund, and investment of more than 20% of the total capital commitment of the Fund in the same project.

During the term of the Fund, the Partners' meeting shall be convened at least once for each year. An extraordinary Partners' meeting may be held upon the proposal by the General Partner or the Limited Partners representing more than one-third of the total capital commitment of the Fund.

### ***Investment Decision Committee***

The investment decision committee is the investment decision-making organisation of the Fund, which is responsible for, among other things, considering and deciding on the investment and withdrawal matters of the Fund and any other duties delegated under the Limited Partnership Agreement or by the Partners' meeting.

The investment decision committee shall comprise six members, among which, Shandong High-Tech is entitled to appoint two members, each of Anhui Luxin, Anhui Luxin Fund Management and the Company is entitled to appoint one member, and Hefei Industry Investment is entitled to appoint one special member. The special member is entitled to attend meetings of the investment decision committee and express his/her opinions, but not entitled to vote on specific projects. The Executive Partner may replace the members of the investment decision committee pursuant to the terms of the Limited Partnership Agreement. The investment decision committee shall have an officer who shall be served by a member appointed by Shandong High-Tech and shall be responsible for convening and presiding over the meetings of the investment decision committee. Anhui Ancheng Chinese Medicine is entitled to appoint one observer, who can only attend the meeting but is not entitled to vote.

### **Executive Partnership Fee**

The Executive Partner is entitled to receive an executive partnership fee annually calculated in the following manner:

- (1) from the date of establishment of the Fund and within the term of the Limited Partnership Agreement: 2% per annum of the aggregate paid-up capital by the Limited Partners;
- (2) during the Extended Term (if any): no executive partnership fee shall be paid.

### **Profit Distribution**

The distributable profits derived from investment projects of the Fund shall be allocated among the Partners in accordance with the following order of priority:

- (1) first, to each of the Partners until it has received an amount equal to 100% of its paid-up capital contribution;
- (2) second, to each of the Partners until it has received an 8% annualised return based on its paid-up capital contribution; and

- (3) lastly, as to the balance, 80% to the Limited Partners in accordance with the actual paid-up capital contribution by each of them, and 20% to the General Partner.

## **INFORMATION OF THE COMPANY AND OTHER PARTIES**

### **The Company**

The Company is a joint stock company established in the PRC with limited liability, the H shares of which are listed on the Main Board of the Hong Kong Stock Exchange (stock code: 01697). The Company is principally engaged in the provision of comprehensive financial service and wealth management service.

### **Shandong High-Tech**

Shandong High-Tech is a company established in the PRC with limited liability, being a wholly-owned subsidiary of Luxin Venture Capital, and a subsidiary of Lucion Group. It is principally engaged in venture capital investment.

### **Anhui Luxin**

Anhui Luxin is a company established in the PRC with limited liability, which is (i) directly owned as to 30% by Luxin Venture Capital and 19% by Lucion Group; (ii) indirectly owned as to 21% by the State-owned Assets Supervision and Administration Commission of Baohe District of Hefei City (合肥市包河區國有資產監督管理委員會); and (iii) directly owned as to 30% by Yunnan Ziyuan Investment Co., Ltd.\* (雲南子元投資有限公司), a company established in the PRC with limited liability whose shareholders are four natural persons, namely, Lin Lidong, Yang Song, Zhu Qing and Pan Yanliang, who are Independent Third Parties. Anhui Luxin is principally engaged in management of the investment business of enterprises entrusted with equity investment fund and fund management, etc.

### **Anhui Luxin Fund Management**

Anhui Luxin Fund Management is a company established in the PRC with limited liability, which is owned as to 25% by the Company, 30% by Anhui Luxin, 25% by Shandong High-Tech and 20% by Zhang Tao, a natural person who is an Independent Third Party. Anhui Luxin Fund Management is principally engaged in equity investment, investment fund management and fund advisory and management services, etc.

## **Hefei Industry Investment**

Hefei Industry Investment is a company established in the PRC with limited liability, whose ultimate beneficial owner is the State-owned Assets Supervision and Management Commission of Hefei City (合肥市國有資產監督管理委員會), and is principally engaged in equity investment and management.

## **Anhui Ancheng Chinese Medicine**

Anhui Ancheng Chinese Medicine is a company established in the PRC with limited liability, whose ultimate beneficial owner is the State-owned Assets Supervision and Management Commission of Bozhou City (亳州市國有資產監督管理委員會), and is principally engaged in fund investment, equity investment, investment management and investment consulting, etc.

To the best knowledge, information and belief of the Company, each of Hefei Industry Investment, Anhui Ancheng Chinese Medicine and their respective ultimate beneficial owners is an Independent Third Party.

## **REASONS FOR ESTABLISHMENT OF THE FUND**

The establishment of the Fund is an important measure for the Company to implement its strategic planning for investment in key areas and key industries with a focus in Hefei City, Anhui Province, and may later expand to areas such as Jiangsu Province, Zhejiang Province and Hubei Province. Involvement in the establishment of the Fund will improve the depth and breadth of the Company's business in the capital market, enlarge the scale of its capital management, improve the Company's investment structure and risk management.

The Directors (including the independent non-executive Directors) are of the view that the Limited Partnership Agreement was entered into in the ordinary and usual course of business of the Company, and is on normal commercial terms or better, fair and reasonable and in the interests of the Company and its shareholders as a whole.

## LISTING RULES IMPLICATIONS

As at the date of this announcement, Lucion Group is interested in 51.95% of the total issued share capital of the Company, making it the controlling shareholder of the Company. As (i) Shandong High-Tech is a subsidiary of Lucion Group; (ii) Anhui Luxin is owned as to 30% by Luxin Venture Capital (a subsidiary of Lucion Group) and 19% by Lucion Group; and (iii) Anhui Luxin Fund Management is owned as to 30% by Anhui Luxin and 25% by Shandong High-Tech, Shandong High-Tech, Anhui Luxin and Anhui Luxin Fund Management are associates of Lucion Group under the Listing Rules. Hence, each of Shandong High-Tech, Anhui Luxin and Anhui Luxin Fund Management is a connected person of the Company. Accordingly, the Limited Partnership Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios (as defined under the Listing Rules) calculated for the transaction are more than 0.1% but less than 5%, the transaction is subject to the reporting and announcement requirements but exempted from 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 Limited Partnership Agreement. But, 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 Limited Partnership Agreement, for the reason that they also currently serve positions in Lucion Group and/or its associates. For the purpose of good corporate governance, since Mr. Yue Zengguang (an executive Director) has left his positions in Lucion Group for less than 12 months when the Board approved the resolutions on the Limited Partnership Agreement, he has voluntarily abstained from voting on the relevant Board resolutions.

## DEFINITIONS

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

“Anhui Ancheng Chinese Medicine”	Anhui Ancheng Chinese Medicine Health Industry Development Fund Co., Ltd.* (安徽安誠中醫藥健康產業發展基金有限公司), a company established in the PRC with limited liability, being an Independent Third Party;
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“Anhui Luxin”	Anhui Luxin Investment Company Limited* (安徽魯信投資有限公司), a company established in the PRC with limited liability, which is owned as to 19% by Lucion Group and 30% by Luxin Venture Capital;
“Anhui Luxin Fund Management”	Anhui Luxin Equity Investment Fund Management Company Limited* (安徽魯信股權投資基金管理有限公司), a company established in the PRC with limited liability, which is owned as to 25% by the Company, 30% by Anhui Luxin, 25% by Shandong High-Tech and 20% by Zhang Tao, a natural person who is an Independent Third Party;
“associate (s)”	has the meaning ascribed thereto in the Listing Rules;
“Board”	the board of Directors;
“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: 01697);
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules;
“controlling shareholder(s)”	has the meaning ascribed thereto in the Listing Rules;
“Directors”	the directors of the Company;
“Executive Partner”	the executive partner as appointed by the Limited Partners under the Limited Partnership Agreement, which is the General Partner;
“Fund”	Anhui Luxin Wanhe Technology Innovation Entrepreneurship Equity Investment Fund (limited partnership)* (安徽魯信皖禾科技創新創業股權投資基金(有限合夥)), a limited partnership to be established in the PRC pursuant to the Limited Partnership Agreement;
“General Partner”	Anhui Luxin Fund Management;
“Hefei Industry Investment”	Hefei Industry Investment Guidance Fund Co., Ltd.* (合肥市產業投資引導基金有限公司), a company established in the PRC with limited liability, being an Independent Third Party;

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Independent Third Party(ies)”	person(s) who, to the best of the Directors’ knowledge, information and belief, having made all reasonable enquiry, is not a connected person of the Company pursuant to the Listing Rules;
“Limited Partner(s)”	the Company, Shandong High-Tech, Hefei Industry Investment, Anhui Ancheng Chinese Medicine and Anhui Luxin;
“Limited Partnership Agreement”	the limited partnership agreement dated 13 December 2019 entered into among the Company, Anhui Luxin Fund Management, Shandong High-Tech, Hefei Industry Investment, Anhui Ancheng Chinese Medicine and Anhui Luxin, pursuant to which the Company, Anhui Luxin Fund Management, Shandong High-Tech, Hefei Industry Investment, Anhui Ancheng Chinese Medicine and Anhui Luxin agreed to establish the Fund;
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time;
“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 company established 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);

“Luxin Venture Capital”	Luxin Venture Capital Group Co., Ltd.* (魯信創業投資集團股份有限公司), a joint stock company established in the PRC with limited liability and a subsidiary of Lucion Group, whose shares are listed on the Shanghai Stock Exchange (stock code: 600783);
“Partner(s)”	the General Partner and Limited Partners, or each of them;
“PRC” or “China”	the People’s Republic of China but excluding, for the purposes of this announcement only, Hong Kong, Macau Special Administrative Region of the PRC and Taiwan;
“RMB”	Renminbi, the lawful currency of the PRC;
“Shandong High-Tech”	Shandong High-Tech Venture Capital Co., Ltd.* (山東省高新技術創業投資有限公司), a company established in the PRC with limited liability, being a wholly-owned subsidiary of Luxin Venture Capital; and
“%”	per cent.

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

Jinan, the People’s Republic of China  
13 December 2019

*As at 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.*

\* *For identification purpose only*