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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 TRANSACTIONS IN RELATION TO LEASE AND CONSTRUCTION MANAGEMENT ENTRUSTMENT ARRANGEMENTS**

The Board announces that on 10 May 2022, the Company entered into the Lease and Construction Management Entrustment Arrangements with Lucion Asset, including entering into the Housing Lease Contract, the Car Park Lease Contract and the Construction Management Entrustment Contract. Pursuant to the Lease and Construction Management Entrustment Arrangements, Lucion Asset agreed to lease, and the Company agreed to rent the Property and parking spots, and Lucion Asset agreed to provide the Company with construction management services, including reporting and filling of construction projects, procurement management, design management, construction supervision, renovation management and acceptance check for the interior decoration of the Property. The Lease and Construction Management Entrustment Arrangements involve the Property located in Lixia District, Jinan, Shandong Province that the Company leased from Lucion Asset.

### **IMPLICATIONS UNDER THE LISTING RULES**

Since Lucion Asset is an indirect wholly-owned subsidiary of Lucion Group and Lucion Group is the controlling shareholder of the Company, Lucion Asset is a connected person of the Company and entering into the Lease and Construction Management Entrustment Arrangements constitutes connected transactions of the Company under Chapter 14A of the Listing Rules.

Since the Lease Contracts and the Construction Management Entrustment Contract under the Lease and Construction Management Entrustment Arrangements are entered into with Lucion Asset, involve the same Property and are related to each other, the Company shall aggregate the three contracts in relation to the Lease and Construction Management Entrustment Arrangements, and treat them as one transaction in accordance with Rule 14A.81 of the Listing Rules.

Pursuant to the IFRS 16 (Leases), the Company shall recognise approximately RMB73.87 million as right-of-use assets for entering into the Lease and Construction Management Entrustment Arrangements. The aforesaid figure is unaudited and may be subject to adjustment in the future. According to the Listing Rules, entering into the Lease and Construction Management Entrustment Arrangements and transactions contemplated thereunder will be deemed as an acquisition of right-of-use assets by the Company.

Since one or more of the applicable percentage ratio(s) (on an aggregated basis) (as defined under the Listing Rules) for the amount of the right-of-use assets recognised pursuant to the Lease and Construction Management Entrustment Arrangements are more than 0.1% but less than 5%, the transactions contemplated thereunder constitute connected transactions of the Company, and are subject to the reporting and announcement requirements but are exempted from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Board announces that on 10 May 2022, the Company entered into the Lease and Construction Management Entrustment Arrangements with Lucion Asset, including entering into the Housing Lease Contract, the Car Park Lease Contract and the Construction Management Entrustment Contract. Pursuant to the Lease and Construction Management Entrustment Arrangements, Lucion Asset agreed to lease, and the Company agreed to rent the Property and parking spots, and Lucion Asset agreed to provide the Company with construction management services, including reporting and filling of construction projects, procurement management, design management, construction supervision, renovation management and acceptance check for the interior decoration of the Property. The Lease and Construction Management Entrustment Arrangements involve the Property located in Lixia District, Jinan, Shandong Province that the Company leased from Lucion Asset. The principal terms of the contracts under the Lease and Construction Management Entrustment Arrangements are set out below.

## THE HOUSING LEASE CONTRACT

The principal terms of the Housing Lease Contract are summarised as follows:

<b>Date:</b>	10 May 2022
<b>Parties:</b>	Lessor: Lucion Asset  Lessee: the Company
<b>Property:</b>	Partial area of the first floor, the second floor and partial area of the 13th floor, the 32nd to 35th and 40th floors of the Tower A project, Headquarter Business Centre in Lixia District, the northeast of the intersection of Aoti West Road and Jiefang East Road, Lixia District, Jinan, Shandong Province, the PRC (“ <b>Tower A Project</b> ”)
<b>Leasing standard:</b>	Partial area of the first floor, the second floor, the 32nd to 35th and 40th floors are leased to the Company under rough standard. Lucion Asset is responsible for fine decoration of public or shared parts, such as lobby, toilet and property rooms of Tower A Project.
<b>Building area under the lease:</b>	Approximately 12,133.66 sq.m.
<b>Usage:</b>	Office purpose
<b>Term:</b>	A period of four years from 1 May 2022 to 30 April 2026
<b>Rental:</b>	The annual rental of the Property is RMB19,206,700.22 (tax inclusive).
<b>Payment terms:</b>	The rent shall be paid in advance every six months. Within five business days from the commencement date of the lease, the Company shall pay the first rent installment to Lucion Asset in accordance with the Housing Lease Contract, which is the rent for the most recent half year after the commencement date of the lease.

<b>Termination:</b>	If the Company terminates the Housing Lease Contract in advance, the Company shall notify Lucion Asset three months in advance, or pay a default fine equivalent to three months' rent to Lucion Asset. During the term of lease, if Lucion Asset intends to sell the Property, it shall notify the Company six months in advance. If the Housing Lease Contract is terminated within the lease term due to reasons on the part of Lucion Asset, it shall be settled through negotiation between both parties. If no agreement can be reached, based on the amount of the actual decoration expenses incurred by the Company, Lucion Asset shall pay the decoration expenses to the Company in accordance with the proportion of the remaining lease term to the lease term agreed in the Housing Lease Contract.
<b>Sublease:</b>	During the lease term, if the Company intends to sublease part or all of the Property to a third party, it shall obtain the prior consent of Lucion Asset in advance.
<b>Renewal:</b>	After the expiration of the lease term, if the Company intends to continue to rent the Property, it shall apply to Lucion Asset six months prior to the expiration of the lease term, and a separate lease agreement shall be entered into after negotiation between the Company and Lucion Asset. The Company has no priority to renew the lease.

## **THE CAR PARK LEASE CONTRACT**

The principal terms of the Car Park Lease Contract are summarised as follows:

<b>Date:</b>	10 May 2022
<b>Parties:</b>	Lessor: Lucion Asset Lessee: the Company
<b>Location:</b>	The first to third floors underground of Tower A Project
<b>Term:</b>	From 1 October 2022 to 30 April 2026
<b>Quantity:</b>	No more than 220 parking spots

<b>Price:</b>	RMB900/month/parking spot (tax inclusive)
<b>Usage:</b>	For personal use by the Company and its employees
<b>Rental:</b>	Based on the annual lease of 220 parking spots, the annual rental of parking spots is RMB2,376,000.00 (tax inclusive).
<b>Payment terms:</b>	The rent shall be paid in advance every six months. Within five business days from the commencement date of the lease, the Company shall pay the first rent installment to Lucion Asset in accordance with the Car Park Lease Contract, which is the rent for the most recent half year after the commencement date of the lease.
<b>Sublease:</b>	With the consent of Lucion Asset, the Company may sublease and lend the parking spots to any third party.
<b>Renewal:</b>	After the expiration of the lease term, if the Company intends to continue to rent the parking spots, it shall apply to Lucion Asset six months prior to the expiration of the lease term, and a separate lease agreement shall be entered into after negotiation between the Company and Lucion Asset. The Company has no priority to renew the lease.
<b>Termination:</b>	Upon mutual agreement between Lucion Asset and the Company, the Car Park Lease Contract can be rescinded, modified or terminated.

The rent payable under the Housing Lease Contract and the Car Park Lease Contract was determined after arm's length negotiation between the Company and Lucion Asset by reference to the prevailing market rent of other comparable properties and parking spots in the vicinity of the Tower A Project and with reference to the leasable area, geographical location and surrounding conditions of the Property and parking spots. The rent payable under the Housing Lease Contract and the Car Park Lease Contract is reasonable in the market and on normal commercial terms. The Company shall pay the rent with its internal resources.

## THE CONSTRUCTION MANAGEMENT ENTRUSTMENT CONTRACT

The principal terms of the Construction Management Entrustment Contract are summarised as follows:

<b>Date:</b>	10 May 2022
<b>Parties:</b>	Entrusting party: the Company  Entrusted party: Lucion Asset
<b>Scope of construction:</b>	Partial area of the first floor, the second floor, the 32nd to 35th and 40th floors of the Tower A project
<b>Gross floor area:</b>	Approximately 8,311.84 sq.m.
<b>Content and scope of construction management:</b>	Handling all the procedures for project construction application, filing and completion acceptance check of interior decoration works of partial area of the first floor, the second floor, the 32nd to 35th and 40th floors of Tower A Project (the “ <b>Project</b> ”) in accordance with the national and industrial regulations; responsible for project management including but not limited to procurement management (all bidding and procurement management involved), contract information management, design management, organisational management of the entire construction process, acceptance and handover, and other related tasks which shall be completed for the implementation of the Project.
<b>Construction management service fee:</b>	The total amount is RMB3,367,125.30, of which: administrative expenses (including project management, project supervision and cost consultation) are RMB1,729,768.74; design expenses (including decoration design and intelligent design) are RMB1,637,356.56.
<b>Payment terms:</b>	After the Construction Management Entrustment Contract takes effect, the payment shall be made in three installments in accordance with the progress and the completion status of the construction.
<b>Construction management period:</b>	From the effective date of the Construction Management Entrustment Contract to the date of acceptance and handover of the Project.

**Termination:** In the event of a breach of contract committed by Lucion Asset, in addition to the compensation to the Company for all losses caused to the Company due to its breach, the Company has the right to require Lucion Asset to pay liquidated damages, and terminate the Construction Management Entrustment Contract.

Lucion Asset determined the expenses which are related to the overall renovation of Tower A Project with third-party service providers through public tendering. The Company determined the construction management service fee with Lucion Asset by apportioning the expenses associated with the overall renovation of Tower A Project in accordance with the proportion of the gross floor areas of the scope of the Project to the gross floor areas of the Tower A Project to be renovated. The unit area price of the construction management service fee collected by Lucion Asset from the Company under the Construction Management Entrustment Contract in respect of the Project is not higher than the fees collected by it from the other leaseholders of the Tower A Project. The Company shall pay the service fee with its internal resources.

## **REASONS AND BENEFITS OF ENTERING INTO THE LEASE AND CONSTRUCTION MANAGEMENT ENTRUSTMENT ARRANGEMENTS**

Lucion Building, the Company's existing self-owned office building located in No. 166 Jiefang Road, Lixia District, Jinan, Shandong Province, the PRC, was put in operation since 1993. It has been in use for nearly 30 years, during which an all-round renovation has not been conducted. According to the Company's business scale development in recent years and the corresponding increase in the number of employees, the Company needs to expand its office space and increase the number of parking spots. However, the office space in Lucion Building cannot satisfy the Company's current and future operation and development needs. The Tower A Project is located at the northeast of the intersection of Aoti West Road and Jiefang East Road, Lixia District, Jinan, in a prosperous and convenient area of the city. Entering into the Lease Contracts would ensure that the Company carries out its business operation in appropriate high-quality areas and close to the Company's customers, thereby improving the Company's corporate image. After moving in the Property, the Company will consider to lease out the Lucion Building after renovation and upgrade in order to obtain better rental income and compensate the rent paid by the Company in relation to the Lease Contracts. The Company considers that it is more cost-effective for the Company to enter into the Lease Contracts.



After renting the Property, the Company needs to decorate certain floors. Given that the decoration of the Property is a relatively complex and systematic project with long duration and various works, involving professional and technical fields such as design, construction and supervision, and Lucion Asset has the relevant qualification of decoration project management and is the lessor of the Property, the Company believes that it is appropriate for the Company to entrust Lucion Asset to provide construction management services for the decoration of the Property.

The rent and service fee payable by the Company under the Lease and Construction Management Entrustment Arrangements are determined between the parties after arm's length negotiations with reference to the market rates, being the prevailing market rent of other comparable properties and parking spots charged by independent third parties on normal commercial terms at the same or nearby locations, and with reference to the leasable area, geographical location and surrounding conditions of the Property and parking spots. In order to accurately evaluate the rental price of the Tower A Project, the Company conducted a survey regarding the office properties in the surrounding area of the Tower A Project. Tower A Project has outstanding performance in energy saving, environmental protection and intelligence services as compared with other office properties in the surrounding area; in addition, Tower A Project can provide the Company with necessary functional areas, including independent catering, filing room and data center as required, and it is difficult for other properties to provide the comparable quality of services. After considering the above factors, the Directors (including independent non-executive Directors) are of the view that the terms of the Lease and Construction Management Entrustment Arrangements and the three contracts contemplated thereunder are fair and reasonable, entered into in the ordinary course of business of the Company on normal commercial terms, and are in the interests of the Company and the Shareholders as a whole.

## **INFORMATION ON THE COMPANY AND THE COUNTERPARTY**

### **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: 1697). The Company is principally engaged in the provision of comprehensive financial service and wealth management service.

### **Lucion Asset**

Lucion Asset was established in the PRC on 1 December 2016, which is an indirect wholly-owned subsidiary of Lucion Group, the controlling shareholder of the Company. Lucion Group is owned as to 90.39% and 9.61% by the Shandong Province Finance Bureau (山東省財政廳) and Shandong Caixin Assets Operation Co., Ltd.\* (“**Shandong Caixin**”), respectively. Shandong Caixin is wholly-owned by the Shandong Province Finance Bureau. Lucion Asset is mainly engaged in the investment with its own funds and asset management of investment projects, housing leasing, real



estate information consulting and intermediary services, property management, interior decoration design, conference and exhibition services, hotel management consulting, domestic advertising business, landscaping projects and building decoration projects.

## **IMPLICATIONS UNDER THE LISTING RULES**

Since Lucion Asset is an indirect wholly-owned subsidiary of Lucion Group and Lucion Group is the controlling shareholder of the Company, Lucion Asset is a connected person of the Company and entering into the Lease and Construction Management Entrustment Arrangements constitutes connected transactions of the Company under Chapter 14A of the Listing Rules.

Since the Lease Contracts and the Construction Management Entrustment Contract under the Lease and Construction Management Entrustment Arrangements are entered into with Lucion Asset, involve the same property and are related to each other, the Company shall aggregate the three contracts in relation to the Lease and Construction Management Entrustment Arrangements, and treat them as one transaction in accordance with Rule 14A.81 of the Listing Rules.

Pursuant to the IFRS 16 (Leases), the Company shall recognise approximately RMB73.87 million as right-of-use assets for entering into the Lease and Construction Management Entrustment Arrangements. According to the Listing Rules, entering into the Lease and Construction Management Entrustment Arrangements and transactions contemplated thereunder will be deemed as an acquisition of right-of-use assets by the Company.

Since one or more of the applicable percentage ratio(s) (on an aggregated basis) (as defined under the Listing Rules) for the amount of the right-of-use assets recognised pursuant to the Lease and Construction Management Entrustment Arrangements are more than 0.1% but less than 5%, the transactions contemplated thereunder constitute connected transactions of the Company, and are subject to the reporting and announcement requirements but are exempted from the circular 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 Lease and Construction Management Entrustment Arrangements. But, (i) Mr. Wan Zhong (an executive Director) and Mr. Zhao Zikun (a non-executive Director), have voluntarily abstained from voting on the relevant Board resolutions approving the Lease and Construction Management Entrustment Arrangements, for the reason that they currently serve positions in Lucion Group and/or its associates.

## DEFINITIONS

“associate(s)”	has the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“Car Park Lease Contract”	the car park lease contract entered into between the Company and Lucion Asset dated 10 May 2022 regarding the leasing of the parking spots
“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)
“Construction Management Entrustment Contract”	the Construction Management Entrustment Contract dated 10 May 2022 between the Company and Lucion Asset regarding the decoration of partial area of the first floor, the second floor, the 32nd to 35th and 40th floors of the Tower A Project
“controlling shareholder(s)”	has the meaning ascribed thereto in the Listing Rules
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“Directors”	the directors of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Housing Lease Contract”	the housing lease contract entered into between the Company and Lucion Asset dated 10 May 2022 regarding the leasing of the Property
“IFRSs”	the International Financial Reporting Standards issued by the International Accounting Standards Board from time to time
“Lease Contracts”	the Housing Lease Contract and the Car Park Lease Contract
“Lease and Construction Management Entrustment Arrangements”	the arrangements entered into between the Company and Lucion Asset regarding the lease of the Property and parking spots and decoration of the Property

“Listing Rules”	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Lucion Asset”	Jinan Lucion Asset Management Co., Ltd. (濟南魯信資產管理有限公司), a company established in the PRC on 1 December 2016, which is an indirect wholly-owned subsidiary of Lucion Group, the controlling shareholder of the Company
“Lucion Group”	Shandong Lucion Investment Holdings Group Co., Ltd. (山東省魯信投資控股集團有限公司), a company established in the PRC on 31 January 2002 and the controlling shareholder of the Company
“PRC”	the People’s Republic of China, excluding Hong Kong, Macau Special Administrative Regions and Taiwan for the purposes of this announcement
“Property”	Partial area of the first floor, the second floor and partial area of the 13th floor, the 32nd to 35th and 40th floors of the Tower A Project, Headquarter Business Centre in Lixia District, the northeast of the intersection of Aoti West Road and Jiefang East Road, Lixia District, Jinan, Shandong Province, PRC
“RMB”	the lawful currency of the PRC, Renminbi
“Share(s)”	share(s) of RMB1.00 each in the share capital of the Company
“Shareholders”	the registered holders of the Shares of the Company
“%”	per cent

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

Jinan, the People’s Republic of China, 10 May 2022

*As at the date of this announcement, the Board comprises Mr. Wan Zhong and Mr. Fang Hao as executive Directors; Mr. Wang Zengye, Mr. Zhao Zikun and Ms. Wang Bailing as non-executive Directors; Mr. Yen Huai-chiang, Mr. Ding Huiping and Ms. Meng Rujing as independent non-executive Directors.*