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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)

VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTIONS

Reference is made to the announcements of the Company dated 30 March 2022, 20 May 2022 and 24 May 2022 in relation to the disposal of assets through Public Tender Procedures. The Board announced that the Transfer Agreements were entered into between the Company and the Purchaser on 23 May 2022 (after trading hours) and amended by the supplemental agreements thereto on 25 May 2022. Pursuant to the Transfer Agreements, the Company has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire, the Equity Interest in Fullgoal Fund and the Ruiyuan No.76 Debt at a consideration of RMB4,038,817,800 and RMB1,000,000,000, respectively.

The transfers of the Equity Interest in Fullgoal Fund, and the Ruiyuan No.76 Debt constitute notifiable transactions of the Company under Chapter 14 of the Listing Rules. Since the Purchaser is a non-wholly owned subsidiary of Lucion Group, being the controlling shareholder of the Company, the Purchaser is therefore a connected person of the Company under the Listing Rules. Thus, each of the Transfer Agreements and the transactions contemplated thereunder constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

According to the Public Tender Procedures and bidding conditions, the Purchaser shall acquire both of the Equity Interest in Fullgoal Fund and the Ruiyuan No.76 Debt. Since the Transfer Agreements are both entered into with the Purchaser and inter-conditional, and the Equity Transfer and the Debt Transfer will take place within the same 12-month period, the Company shall aggregate the Transfer Agreements and treat them as one transaction in accordance with Rules 14.22 and 14A.81 of the Listing Rules. Since one or more of the applicable percentage ratio(s) (on an aggregated basis) (as defined under the Listing Rules) in respect of the Transfer Agreements and the transactions contemplated thereunder exceed 75%, the Disposal constitutes a very substantial disposal and connected transaction of the Company under Chapter 14 and Chapter 14A of the Listing Rules respectively, and are subject to the reporting, announcement, circular and independent shareholders' approval requirements under the Listing Rules.

The Company will convene a general meeting for the purpose of, among other things, considering, and if thought fit, approving the entering into of the Transfer Agreements. Since the Transfer Agreements are related and premised on each other, and the completions of the Debt Transfer and the Equity Transfer are inter-conditional, entering into the Transfer Agreements will be consolidated into one resolution and submitted to the general meeting for consideration and approval.

A circular containing, among other things, (i) further details of the Disposal; (ii) a letter from the Independent Board Committee to the Independent Shareholders; (iii) a letter from Gram Capital to the Independent Board Committee and 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 22 June 2022) in accordance with the requirements of the Listing Rules.

THE DISPOSAL

Reference is made to the announcements of the Company dated 30 March 2022, 20 May 2022 and 24 May 2022 in relation to the disposal of assets through Public Tender Procedures. The Board announced that the Transfer Agreements were entered into between the Company and the Purchaser on 23 May 2022 (after trading hours) and amended by the supplemental agreements thereto on 25 May 2022. Pursuant to the Transfer Agreements, the Company has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire, the Equity Interest in Fullgoal Fund and the Ruiyuan No.76 Debt at a consideration of RMB4,038,817,800 and RMB1,000,000,000, respectively.

PUBLIC TENDER PROCEDURES

In accordance with the relevant rules and regulations in the PRC, the Company conducted the transfers of the Equity Interest in Fullgoal Fund and the Ruiyuan No.76 Debt under separate Public Tender Procedures with initial listed prices determined with reference to the appraised value. The Public Tender Procedures for each of the Equity Interest in Fullgoal Fund and the Ruiyuan No.76 Debt commenced from 12 May 2022 and concluded on 20 May 2022 (the “**Publication Period**”). During the Publication Period, interested bidders were invited to indicate their intention to purchase the Equity Interest in Fullgoal Fund and the Ruiyuan No.76 Debt and register themselves as an interested bidder. According to the bidding conditions, the interested bidders shall acquire both of the Equity Interest in Fullgoal Fund and the Ruiyuan No.76 Debt. The Purchaser succeeded in the open bid in relation to the Disposal.

Upon conclusion of the Public Tender Procedures on 20 May 2022 followed by a satisfactory assessment by SFATC on the qualifications of the Purchaser as the winning bidder, negotiation on the specific terms of the Disposal between Company and the Purchaser commenced for the purpose of entering into the Transfer Agreements. Upon signing of the Transfer Agreements and subject to the approval by the Shareholders at the general meeting of the Company and the satisfaction of the conditions precedent, both the Company and the Purchaser shall become committed to complete the Disposal.

THE TRANSFER AGREEMENTS

Equity Transfer Agreement

The terms and conditions of the Equity Transfer Agreement are summarised as below:

Date

23 May 2022 and amended on 25 May 2022

Parties

- (i) The Company; and
- (ii) The Purchaser

Disposal

Pursuant to the Equity Transfer Agreement, the Company has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Equity Interest in Fullgoal Fund, being 16.675% equity interest in Fullgoal Fund, representing the Company's entire interest in Fullgoal Fund.

Consideration and Payment Terms

The Consideration of Equity Transfer payable by the Purchaser for the Equity Interest in Fullgoal Fund is RMB4,038,817,800. Pursuant to the Equity Transfer Agreement, the Consideration of Equity Transfer shall be payable by the Purchaser to the Company in cash according to the following schedule:

- (i) **initial deposit:** the Purchaser has already paid an initial deposit in the amount of RMB800 million to SFATC for participating in the Public Tender Procedures, and such amount shall be applied towards payment of the Consideration of Equity Transfer within three business days after the date of conclusion of the Publication Period (i.e. 20 May 2022);
- (ii) **first and second installments:** the Purchaser shall pay the first and second installments in the amount of RMB1,100,000,000 each on 8 June 2022 and 4 July 2022, respectively, to an account designated by the Company; and
- (iii) **remaining consideration:** within five business days after all conditions precedent in the Equity Transfer Agreement have been fulfilled, the Purchaser shall pay the balance of the Consideration of Equity Transfer in the amount of RMB1,038,817,800 to an account designated by the Company.

Conditions Precedent and Completion

The date of completion of the Equity Transfer (the “**Completion of the Equity Transfer**”) shall be the date that the Purchaser paid the remaining consideration, and such date shall be no later than 31 March 2023. The Completion of the Equity Transfer is conditional upon the satisfaction of the following conditions:

- (i) both parties have completed the necessary internal decision making processes, regulatory approval, asset appraisal and other relevant procedures in accordance with the law and regulations in relation to the execution, delivery and performance of the Equity Transfer Agreement and their obligations thereunder;

- (ii) Fullgoal Fund has held shareholders' meeting to approve: (a) the Equity Transfer, and each of other existing shareholders of Fullgoal Fund has irrevocably waived its pre-empt rights to acquire the Equity Interest in Fullgoal Fund and other rights which may affect the Equity Transfer; and (b) the articles of association of Fullgoal Fund upon the Completion of the Equity Transfer;
- (iii) the Equity Transfer Agreement has been duly executed by the parties and become effective;
- (iv) the Public Tender Procedures for the Equity Transfer have been duly completed, the SFATC has issued the transaction certificate, and the Purchaser has paid the initial deposit in the amount of RMB800 million;
- (v) the Company has complied with and performed all their undertakings and obligations under the terms of the Equity Transfer Agreement in all material aspects by the times specified;
- (vi) the representations and warranties made by the Company and the Purchaser in the Equity Transfer Agreement and/or any ancillary documents provided in connection with the Equity Transfer Agreement remain true, accurate, valid and complete in all material aspects at the time they were made and until the date of the Completion of the Equity Transfer, as if such representations and warranties were made on the date of the Completion of the Equity Transfer;
- (vii) save for those related to the Equity Transfer, there are no other changes or potential changes in the shareholding structure of Fullgoal Fund prior to the date of the Completion of the Equity Transfer;
- (viii) there has not been any change in the legal personality, asset and liability, financial position of Fullgoal Fund or its business operation that may cause material adverse impact; and
- (ix) there is no law, regulation, judgment, award, ruling, injunction, court order or relevant regulatory body restricting, prohibiting or rescinding the Equity Transfer, or any pending or potential disputes or litigation, arbitration, judgment, award, ruling, injunction or order that has had or will have a material adverse effect on Fullgoal Fund or the Equity Transfer.

During the transition period (being the period from 30 November 2021 to the date of Completion of the Equity Transfer), if Fullgoal Fund declares and pays any dividend or profit distribution (including but not limited to the dividend or profit distribution for the year 2021) and the Company receives the dividend or profit distribution payment, the Company shall transfer the said amount to the account designated by the Purchaser. If the Completion of the Equity Transfer does not take place, the Company is still the shareholder of Fullgoal Fund which shall be entitled to such dividend or profit distribution.

Both parties agree that if the Equity Transfer is not approved by the relevant securities regulatory authorities by 31 March 2023, or if the conditions precedent have not been fulfilled or waived by then, the Equity Transfer Agreement shall be terminated automatically. If the Purchaser fails to pay the Consideration of Equity Transfer in accordance with the payment schedule, as a result of which the Completion of the Equity Transfer does not take place, the Company can forfeit the initial deposit in the amount of RMB800 million. If the Equity Transfer Agreement is terminated automatically or due to reasons on the part of the Company, the Company shall return to the Purchaser the initial deposit and installments paid by the Purchaser and any costs of fund occupation accrued thereon within five business days after the termination. Such costs to be returned by the Company to the Purchaser shall be calculated at a rate of 4.75% per annum from the date of the payment by the Purchaser to the date of return by the Company (the “**Fund Return Clause for Equity Transfer**”).

Effective Date

Save for the Fund Return Clause for Equity Transfer which shall take effect upon the execution of the Equity Transfer Agreement on 23 May 2022, the Equity Transfer Agreement shall take effect on the date of the Shareholders having passed the relevant resolution at the general meeting of the Company to approve the Equity Transfer in accordance with the relevant requirements of the Listing Rules.

Debt Transfer Agreement

The terms and conditions of the Debt Transfer Agreement are summarised as below:

Date

23 May 2022 and amended on 25 May 2022

Parties

- (i) The Company; and
- (ii) The Purchaser

Disposal

Pursuant to the Debt Transfer Agreement, the Company has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Ruiyuan No.76 Debt, being the rights to claim the non-performing debts and the rights to enforce the collaterals of the non-performing debts under the trust loan agreements and guarantee agreements in connection with the Ruiyuan No.76 Trust Scheme.

Consideration and Payment Terms

The Consideration of Debt Transfer payable by the Purchaser for the Ruiyuan No.76 Debt is RMB1,000,000,000. Pursuant to the Debt Transfer Agreement, the Consideration of Debt Transfer shall be payable by the Purchaser to the Company in cash according to the following schedule:

- (i) **initial deposit:** the Purchaser has already paid an initial deposit in the amount of RMB200 million to SFATC for participating in the Public Tender Procedures, and such amount shall be applied towards payment of the Consideration of Debt Transfer; and
- (ii) **first and second installments:** the Purchaser shall pay the first and second installments in the amount of RMB400,000,000 each on 8 June 2022 and 4 July 2022, respectively, to an account designated by the Company.

Conditions Precedent and Completion

The date of completion of the Debt Transfer (the “**Completion of the Debt Transfer**”) shall be the same with the date of Completion of the Equity Transfer. The Completion of the Debt Transfer is conditional upon the satisfaction of the following conditions:

- (i) both parties have completed the necessary internal decision making processes, regulatory approval, asset appraisal and other relevant procedures in accordance with the law and regulations in relation to the execution, delivery and performance of the Debt Transfer Agreement and their obligations thereunder;
- (ii) as at the date of Completion of the Debt Transfer, each of the Company and the Purchaser has complied with and performed all their undertakings and obligations under the terms of the Debt Transfer Agreement in all material aspects by the times specified;

- (iii) as at the date of Completion of the Debt Transfer, the representations and warranties made by the Company and the Purchaser in the Debt Transfer Agreement remain true, accurate, valid and complete in all material aspects at the time they were made and until the date of Completion of the Debt Transfer, as if such representations and warranties were made on the date of the Completion of the Debt Transfer;
- (iv) the Company has obtained all necessary consents, approvals, permissions and waivers in relation to the Debt Transfer, proof of which has been provided to the Purchaser;
- (v) there is no law, regulation, judgment, award, ruling, injunction, court order or relevant regulatory body restricting, prohibiting or rescinding the Debt Transfer, or any pending or potential litigation, arbitration, judgment, award, ruling, injunction or order that has had or will have a material adverse effect on the Debt Transfer; and
- (vi) all the conditions precedent under the Equity Transfer Agreement have been satisfied.

During the transition period (being the period from 31 December 2021 to the date of Completion of the Debt Transfer), the Company is responsible for the management and maintenance of the Ruiyuan No.76 Debt. The sum recovered under the Ruiyuan No.76 Debt, after deducting the costs and expenses incurred by the Company for such management and maintenance, shall belong to the Purchaser, if any.

Both parties agree that if any of the conditions precedent have not been fulfilled or waived by 31 March 2023, the Debt Transfer Agreement shall be terminated automatically. If the Purchaser fails to pay the Consideration of Debt Transfer in accordance with the payment schedule, as a result of which the Completion of the Debt Transfer does not take place, the Company can forfeit the initial deposit in the amount of RMB200 million. If the Debt Transfer Agreement is terminated automatically or due to reasons on the part of the Company, the Company shall return to the Purchaser all the consideration (i.e. RMB1 billion) paid by the Purchaser and any costs of fund occupation accrued thereon within five business days after the termination. Such costs to be returned by the Company to the Purchaser shall be calculated at a rate of 4.75% per annum from the date of the payment by the Purchaser to the date of return by the Company (the “**Fund Return Clause for Debt Transfer**”).

Effective Date

Save for the Fund Return Clause for Debt Transfer which shall take effect upon the execution of the Debt Transfer Agreement on 23 May 2022, the Debt Transfer Agreement shall take effect on the date of the Shareholders having passed the relevant resolution at the general meeting of the Company to approve the Debt Transfer in accordance with the relevant requirements of the Listing Rules.

INFORMATION OF THE PARTIES AND THE TARGETS

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.

The Purchaser

The Purchaser, Shandong Financial Asset Management Co., Ltd. (山東省金融資產管理股份有限公司), is a joint stock company established in the PRC on 31 December 2014 which is principally engaged in acquisition, management and disposal of non-performing asset, asset management and provision of comprehensive financial services. It is owned as to approximately 82.29%, 2.73%, 1.36% and 1.09% by Lucion Group, Jinan Caijin Investment Co., Ltd., the Company and CNPC Assets Management, respectively, and therefore a non-wholly owned subsidiary of Lucion Group. Lucion Group is owned as to 90% and 10% by the Shandong Province Finance Bureau and Shandong Caixin Assets Operation Co., Ltd. (“**Shandong Caixin**”), respectively. Shandong Caixin is wholly-owned by the Shandong Province Finance Bureau. Jinan Caijin Investment Co., Ltd. is owned as to approximately 46.38% by Jinan Finance Holding. Both CNPC Assets Management and Jinan Finance Holding are shareholders of the Company.

Fullgoal Fund

Fullgoal Fund is a limited liability company established in the PRC on 13 April 1999 which is principally engaged in the formation of fund and fund management. It is owned as to 16.675% by the Company and 27.775% by each of Haitong Securities Co., Ltd., Shenwan Hongyuan Securities Co., Ltd. and Bank of Montreal, respectively. Haitong Securities Co., Ltd. is a company listed on the Hong Kong Stock Exchange (stock code: 6837) and Shanghai Stock Exchange (stock code: 600837). Shenwan Hongyuan Securities Co., Ltd. is a wholly-owned subsidiary of Shenwan Hongyuan Group Co., Ltd., a company listed on the Hong Kong Stock Exchange (stock code: 6806) and Shenzhen Stock Exchange (stock code: 000166). Bank of Montreal is a multinational bank headquartered in Canada and listed on the Toronto Stock Exchange (stock code: BMO) and the New York Stock Exchange (stock code: BMO).

Set out below is a summary of the financial information of Fullgoal Fund for the two financial years ended 31 December 2020 and 2021 prepared in accordance with IFRSs:

	For the year ended 31 December 2020 <i>RMB billion</i>	For the year ended 31 December 2021 <i>RMB billion</i>
Net profit before tax	2.17	3.35
Net profit after tax	1.65	2.56

Ruiyuan No.76 Debt

The Ruiyuan No.76 Debt represents the rights to claim the non-performing debts and the rights to enforce the collaterals of the non-performing debts under the trust loan agreements and guarantee agreements (the “**Ruiyuan Trust Loans**”) in connection with the Ruiyuan No.76 Trust Scheme, which is a trust scheme established in February 2018. The Company is the trustee of the Ruiyuan No.76 Trust Scheme and the lender of the Ruiyuan Trust Loans. The principal amount together with the interest of the Ruiyuan Trust Loans (less the deposit of RMB20 million) is approximately RMB2,586.07 million. The assets pledged or mortgaged under the Ruiyuan Trust Loans (the “**Collaterals**”) consist of: (a) certain land plots and related land-use rights, housing properties and construction work in progress located in Suzhou and Beijing, the PRC; and (b) 100% equity interests in two companies controlled by the borrower, which mainly comprise fixed assets, intangible assets (being players and franchise of a football club in the PRC) and long-term equity investments (including franchise of a stadium located in the PRC which is currently under renovation).

Since the borrower defaulted in payment of the interest and principal of the Ruiyuan Trust Loans in December 2019 and February 2021, respectively, the Ruiyuan No.76 Debt has become non-performing assets of the Company.

CONSIDERATION OF THE DISPOSAL

The Consideration of Equity Transfer is the outcome of the Public Tender Procedures which represented the highest bidding price offered during the Publication Period for the Equity Interest in Fullgoal Fund. According to the valuation report issued by the Independent Valuer which was prepared using a market approach, the appraised value of Equity Interest in Fullgoal Fund as at 30 November 2021 was approximately RMB4,038.8 million. The book value of the Equity Interest in Fullgoal Fund as at 31 December 2021 was approximately RMB1,174.6 million. The Consideration of Equity Transfer conforms with the appraised value as stated above.

Since no bidders indicated any interest in the Ruiyuan No.76 Debt during the designated period after the commencement of the Publication Period, the Company adjusted the listed price in accordance with the Public Tender Procedures, and the Purchaser quoted RMB1,000 million for the Ruiyuan No.76 Debt. The Consideration of Debt Transfer is the outcome of the Public Tender Procedures which represented the highest bidding price offered during the Publication Period for the Ruiyuan No.76 Debt. As at the end of 2021, the Company made provision for impairment losses of approximately RMB462 million in connection with the Ruiyuan Trust Loans and the Ruiyuan No.76 Debt has become non-performing assets of the Company. The carrying amount of the Ruiyuan No.76 Debt as at 31 December 2021 was approximately RMB1,687.5 million.

Apart from the assessment done by the Company regarding the recoverability of the Ruiyuan Trust Loans at the time of initiating the Public Tender Procedures, the Company made enquiries with other asset management companies independent from the Company that are engaged in management of distressed assets to understand market expectation on the transfer price of the Ruiyuan No.76 Debt in April 2022. The quotations that the Company obtained from those asset management companies for the Ruiyuan No.76 Debt ranged from RMB0.9 billion to RMB1.0 billion. The Company also conducted research in the differences between the listed prices and final transfer prices of non-performing assets that are similar to the Ruiyuan No.76 Debt transacted through public tender procedures in the recent years and noted that the final transfer prices are generally 30% to 40% of the listed prices (being the appraised value) for non-performing assets. The Consideration of Debt Transfer conforms with the market expectation as stated above.

USE OF PROCEEDS

The gross proceeds from the Disposal are expected to be RMB5,038.8 million and the net proceeds (after deduction of related transaction expenses) are expected to be RMB5,033.8 million. The Company intends to apply the net proceeds from the Disposal in the following manner:

Replenishing working capital and optimising the financial and regulatory indicators

Approximately RMB4,800 million will be applied to replenishing the Company's working capital and optimising the financial and regulatory indicators applicable to the Company. Recently, the Company has placed more focus on developing its proprietary business; meanwhile, it also actively adjusted the asset allocation portfolio structure and continued to increase the investment of proprietary funds in innovative businesses promoted and advocated by the regulators, such as the capital market trust, family trust and service trust. On the other hand, the Group's current liabilities exceeded its current assets by RMB2,305.3 million as at 31 December 2021. The Company intends to apply:

- approximately RMB1,000 million for the investment in the Company's self-issued trust products to support the active transformation of its trust business to capital market business following the regulatory guidance, with an estimated investment yield of 3% to 8% based on historical performance;
- approximately RMB2,800 million for the replenishment of its working capital given the Company, as a trust company, shall periodically monitor its risk-based capital in accordance with the regulations promulgated by the CBIRC, such as the Administrative Measures on Net Capital of Trust Companies (《信託公司淨資本管理辦法》), which requires the Company to maintain the ratio of net capital to total risk-based capital at a certain level. It is essential for the Company to maintain the ratios within the span of control and enhance the capability of risk resilience, which in turn will facilitate the Company obtaining more new business opportunities; and
- approximately RMB1,000 million for the partial repayment of the interest-bearing loans granted by China Trust Protection Fund Co., Ltd. to the Company, and the balance of such loans was RMB2,000 million as at the date of this announcement and will successively become due in early 2023.

Investing in information technology and human resources

Approximately RMB200 million will be applied to enhance the establishment of a team of talents in the financial industry, improving its service model and optimising its information technology system and human resources. In the coming two years, the Company plans to improve its information technology system architecture (such as "SITC APP" and "Family Wallet") and complete the construction of a standard asset management product system, asset securitisation system and family trust system. The Company also plans to strengthen the talent team establishment in the financial industry (including professionals supporting the family trust, standard trust, and service trust business development) and set up new offices for wealth management, family trust, and capital market business departments. In addition, the Company will relocate to new office premises soon, which requires the construction of new server rooms, data centre and acquisition of servers.

REASONS FOR AND BENEFITS OF THE DISPOSAL

After the promulgation of the Guiding Opinion on Regulating the Asset Management Business of Financial Institutions (《關於規範金融機構資產管理業務的指導意見》), the regulatory authorities encouraged trust companies to engage in capital market business, family trust, service trust and other businesses that serve the development of the real economy and satisfy people's demands for a better life. The COVID-19 pandemic, which has been going on since 2020, has brought substantial downward pressure on the economic environment at home and abroad, and the regulatory authorities have continued to tighten the regulatory policies on trust companies' traditional financing business and the cooperative business between banks and trust companies. The Company is facing increased exposure to risks in certain traditional business sectors, and its current liabilities exceeded its current assets in the past two financial years. In light of the circumstances, the Company needs sufficient liquidity funds to manage and respond to the risk of market fluctuation to improve its performance and sustainable operation abilities.

As disclosed in the paragraph headed "Use of Proceeds" above, the Company planned to devote more financial resources in its proprietary business and increase its investment in information technology and human resources so as to support its business transformation and development, and such development plan would require funding of approximately RMB5,000 million based on the recent estimation. Taking into account the financial position of the Company, the complexity of legal procedures involved and the regulatory approvals required in conducting fund-raising activities through equity or debt financing, the Company decided to obtain the relevant funding through disposal of assets. After assessing the value of its assets on hand that were readily available for disposal and taking into account its funding needs, the Company identified the Equity Interest in Fullgoal Fund and the Ruiyuan No.76 Debt as suitable assets for disposal. Since the Disposal would incur transaction costs on the Company, including but not limited to the costs for initiating public tender procedures, engaging advisers and independent valuers and other expenses for approving the Disposal in accordance with the relevant requirements under the Listing Rules, the Company believes that it is more cost-efficient to conduct the disposal of the Equity Interest in Fullgoal Fund and the Ruiyuan No.76 Debt in one go and simplify the process of the Disposal by negotiating with one counterparty on the terms and conditions, so as to save time and costs in achieving its funding needs. Therefore, the Transfer Agreements were structured as inter-conditional, and the Company believes that such arrangement is fair and reasonable, and in the interest of the Company and Shareholders as a whole.

Although the share of results of the Equity Interest in Fullgoal Fund has contributed significant profits to the Group during the past two financial years, the disposal of the Equity Interest in Fullgoal Fund will help the Company to obtain high investment returns in Fullgoal Fund (which conforms with the appraised value of the Equity Interest in Fullgoal Fund prepared by the Independent Valuer) and improve the liquidity of its capital and risk resistance.

The Ruiyuan No.76 Debt has become non-performing assets of the Company, and provision for impairment losses of approximately RMB462 million has been made in connection with the Ruiyuan Trust Loans for the year ended 31 December 2021. The Company is of the view that even the Consideration of Debt Transfer is lower than the carrying amount of the Ruiyuan No.76 Debt, there is still a strong initiative for it to proceed with the Debt Transfer. It is expected that the Company will need to make further provision for impairment losses after periodically reviewing the value of the Collaterals if the borrower is not able to repay the defaulted loan in full.

The Collaterals comprise the franchise of a football club and a stadium and are heavily impacted by the Chinese football industry. The Chinese Male Football Association Super League (the “**Chinese Super League**”) has been facing financial issues which hit most clubs. The grinding impact of the COVID-19 pandemic, coupled with increasing difficulties within the business sector that bankrolled the Chinese Super League clubs, has adversely affected the tournament arrangements of the Chinese Super League. Many Chinese Super League clubs have encountered great marketing and commercial operations difficulties, especially since April 2022. Their commercial value, brand image and marketing operations have suffered great damage and experienced a significant decrease in operating income. The stadium operation has also been under severe challenge due to the uncertainty of the domestic football clubs’ operating environment and the strict control on mass group activities imposed by the government authorities in connection with the COVID-19 pandemic. There are foreseeable worsen-offs in terms of rental income, ticket income and commercial operations of a stadium when the postponement (or even cancellation) of the 19th Asian Games, the 2022 Asian Youth Games and the 31st Summer Universiade was recently announced.

As mentioned above, the Company made enquiries with other asset management companies that are engaged in management of distressed assets to understand market’s expectation on the transfer price of the Ruiyuan No.76 Debt in April 2022. The quotations that the Company obtained from those asset management companies for the Ruiyuan No.76 Debt ranged from RMB0.9 billion to RMB1.0 billion, which, the Company believes, reflects the expectation of the market on the value of the Ruiyuan No.76 Debt in light of the current market conditions.

Taking into account the factors mentioned above, including the reasons as disclosed in the paragraph headed “Use of Proceeds”, the Board believes that (i) the disposal of the Ruiyuan No.76 Debt will help the Company to properly solve the remaining issues of the Ruiyuan No.76 Trust Scheme and reduce the non-performing assets of the Company; (ii) it would take a very long time for the Company to recover the amount due from the borrower through enforcing the Collaterals, and the recoverability is highly uncertain. The Debt Transfer can allow the Company to obtain more liquid funds to invest in areas that can generate investment returns faster with a higher rate of return to improve the efficiency in use of capital. Otherwise, further impairment in the Ruiyuan No.76 Debt, if materialised, would cause increased losses to the Company. It

is therefore in the interest of the Company and the Shareholders as a whole to dispose of the Ruiyuan No.76 Debt as soon as possible; and (iii) the Debt Transfer will help improve the structure of assets and liabilities of the Company, optimise the Company's financial and industry regulatory indicators such as non-performing asset ratio, improve its asset allocation structure by disposing of inefficient assets in a timely manner, and therefore strengthen its sustainable operation abilities.

Having considered the abovementioned factors, the Directors (excluding the independent non-executive Directors, whose opinions will be formed upon consideration of the recommendations of the Independent Financial Adviser) considered that the Disposal is in the Company's ordinary and usual course of business, the Equity Transfer, the Debt Transfer, and the terms of each of the Transfer Agreements are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

FINANCIAL EFFECT ARISING FROM THE DISPOSAL

Fullgoal Fund is an associate company of the Group and the results and assets and liabilities of Fullgoal Fund have been accounted for in the financial statements of the Group under equity method of accounting. The Company is expected to record a gain of approximately RMB2,860.5 million (before income tax), if materialised, which is estimated based on (a) the Consideration of Equity Transfer of RMB4,038.8 million less (b) the sum of the carrying amount of the Equity Interest in Fullgoal Fund as at 31 December 2021 of approximately RMB1,174.6 million and the relevant transaction expenditures and taxation of approximately RMB3.7 million. Upon the Completion of the Equity Transfer, Fullgoal Fund will cease to be an associate company of the Group.

The Ruiyuan No.76 Trust Scheme was not consolidated into the financial statements of the Company. The Company accounted the Ruiyuan No.76 Debt under "loans to customers" in its financial statements. Upon the Completion of the Debt Transfer, if materialised, the sum of the loans to customers is expected to be reduced by RMB1,687.5 million (before income tax), and the Company is expected to recognise a corresponding loss of RMB688.8 million, which is estimated based on (a) the Consideration of Debt Transfer of RMB1,000.0 million less (b) the sum of the carrying amount of the Ruiyuan No.76 Debt as at 31 December 2021 of approximately RMB1,687.5 million and the relevant transaction expenditures and taxation of approximately RMB1.3 million.

LISTING RULES IMPLICATIONS

The transfers of the Equity Interest in Fullgoal Fund and the Ruiyuan No.76 Debt constitute notifiable transactions of the Company under Chapter 14 of the Listing Rules. Since the Purchaser is a non-wholly owned subsidiary of Lucion Group, being the controlling shareholder of the Company, the Purchaser is therefore a connected person of the Company under the Listing Rules. Thus, each of the Transfer Agreements and the transactions contemplated thereunder constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

According to the Public Tender Procedures and bidding conditions, the Purchaser shall acquire both of the Equity Interest in Fullgoal Fund and the Ruiyuan No.76 Debt. Since the Transfer Agreements are both entered into with the Purchaser and inter-conditional, and the Equity Transfer and the Debt Transfer will take place within the same 12-month period, the Company shall aggregate the Transfer Agreements and treat them as one transaction in accordance with Rules 14.22 and 14A.81 of the Listing Rules. Since one or more of the applicable percentage ratio(s) (on an aggregated basis) (as defined under the Listing Rules) in respect of the Transfer Agreements and the transactions contemplated thereunder exceed 75%, the Disposal constitutes a very substantial disposal and connected transaction of the Company under Chapter 14 and Chapter 14A of the Listing Rules respectively, and are subject to the reporting, announcement, circular and independent shareholders' approval requirements under the Listing Rules.

The Company will convene a general meeting for the purpose of, among other things, considering, and if thought fit, approving the entering into of the Transfer Agreements. Since the Transfer Agreements are related and premised on each other, and the completions of the Debt Transfer and the Equity Transfer are inter-conditional, entering into the Transfer Agreements will be consolidated into one resolution and submitted to the general meeting for consideration and approval.

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 Transfer Agreements. However, Mr. Wan Zhong (an executive Director) and Mr. Zhao Zikun (a non-executive Director), have voluntarily abstained from voting on the relevant resolutions approving the Transfer Agreements at the Board meeting, for the reason that they currently serve positions in Lucion Group and/or its associates.

CNPC Assets Management and Jinan Finance Holding, shareholders of the Company, also directly or indirectly hold equity interest in the Purchaser. As the Purchaser, Lucion Group, CNPC Assets Management and Jinan Finance Holding have material interest in the Disposal, Lucion Group, CNPC Assets Management and Jinan Finance Holding and their associates (if applicable) are required to abstain from voting on the resolution to approve the Transfer Agreements at the general meeting.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Company has established the Independent Board Committee, including all independent non-executive Directors, namely Mr. Yen Huai-chiang, Mr. Ding Huiping and Ms. Meng Rujing, to advise on entering into the Transfer Agreements. With the approval of Independent Board Committee, Gram Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the fairness and reasonableness of the Transfer Agreements.

GENERAL INFORMATION

A circular containing, among other things, (i) further details of the Disposal and the Transfer Agreements; (ii) a letter from the Independent Board Committee to the Independent Shareholders; (iii) a letter from Gram Capital to the Independent Board Committee and 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 22 June 2022) in accordance with the requirements of the Listing Rules.

RESUMPTION OF TRADING

At the request of the Company, trading in the shares of the Company on the Hong Kong Stock Exchange was halted with effect from 9:00 a.m. on 24 May 2022 pending the release of this announcement. Application has been made to the Hong Kong Stock Exchange for the resumption of trading in the shares of the Company on the Hong Kong Stock Exchange with effect from 9:00 a.m. on 1 June 2022.

As the completion of the Disposal is subject to the fulfilment of the conditions precedent in the Transfer Agreements, the Disposal may or may not be completed. Shareholders and potential investors should exercise caution when dealing in the Shares.

DEFINITIONS

In this announcement, the following expressions have the following meanings unless the context otherwise requires:

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors of the Company
“CBIRC”	the China Banking and Insurance Regulatory Commission
“CNPC Assets Management”	CNPC Assets Management Co., Ltd. (中油資產管理有限公司), a limited liability company established on 29 April 2000 in the PRC, a substantial shareholder of the Company
“Company” or “SITC”	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)
“Consideration of Debt Transfer”	the total consideration for the acquisition of the Ruiyuan No.76 Debt payable by the Purchaser under the Debt Transfer Agreement
“Consideration of Equity Transfer”	the total consideration for the acquisition of the Equity Interest in Fullgoal Fund payable by the Purchaser under the Equity Transfer Agreement
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“connected person”	has the meaning ascribed to it under the Listing Rules
“Debt Transfer”	the transfer of the Ruiyuan No.76 Debt by the Company to the Purchaser pursuant to the Debt Transfer Agreement
“Debt Transfer Agreement”	the agreement dated 23 May 2022 entered into between the Company and the Purchaser in relation to the disposal of the Ruiyuan No.76 Debt and amended by the supplemental agreement dated 25 May 2022
“Director(s)”	the director(s) of the Company

“Disposal”	the disposal of the Equity Interest in Fullgoal Fund and the Ruiyuan No.76 Debt by the Company to the Purchaser pursuant to the Transfer Agreements
“Domestic Share(s)”	ordinary share(s) issued by the Company with a nominal value of RMB1.00 each, which is/are subscribed for or credited as paid up in Renminbi
“Equity Interest in Fullgoal Fund”	86,710,000 shares in the share capital of Fullgoal Fund, representing 16.675% equity interest in Fullgoal Fund to be disposed of by the Company pursuant to the term of the Equity Transfer Agreement
“Equity Transfer”	the transfer of the Equity Interest in Fullgoal Fund by the Company to the Purchaser pursuant to the Equity Transfer Agreement
“Equity Transfer Agreement”	the agreement dated 23 May 2022 entered into between the Company and the Purchaser in relation to the disposal of the Equity Interest in Fullgoal Fund and amended by the supplemental agreement dated 25 May 2022
“Fullgoal Fund”	Fullgoal Fund Management Co., Ltd. (富國基金管理有限公司), a limited liability company established on 13 April 1999 in the PRC
“Group”	the Company and the trust schemes over which it has control
“H Shares(s)”	ordinary share(s) of the Company with a nominal value of RMB1.00 each, traded in Hong Kong dollars and listed on the Hong Kong Stock Exchange
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“IFRSs”	the International Financial Reporting Standards issued by the International Accounting Standards Board from time to time

“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 the Disposal pursuant to the Transfer Agreements
“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 Securities and Futures Ordinance, 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 to consider and approve the Transfer Agreements
“Independent Valuer”	China United Assets Appraisal Group Shandong Co. Ltd. (中聯資產評估集團山東有限公司), an independent property valuer
“Jinan Finance Holding”	Jinan Finance Holding Group Co., Ltd. (濟南金融控股集團有限公司), a limited liability company established on 29 May 2013 in the PRC, a shareholder of the Company
“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), a limited liability company established on 31 January 2002 in the PRC, the controlling shareholder of the Company
“PRC” or “China”	the People’s Republic of China but excluding, for the purposes of this announcement only, Hong Kong, Macau Special Administrative Region and Taiwan
“Public Tender Procedures”	the public tender procedures conducted through SFATC for the purpose of disposing of the Equity Interest in Fullgoal Fund and the Ruiyuan No.76 Debt

“Purchaser”	Shandong Financial Asset Management Co., Ltd. (山東省金融資產管理股份有限公司), a joint stock company with limited liability established on 31 December 2014 in the PRC
“RMB”	Renminbi, the lawful currency of the PRC
“Ruiyuan No.76 Debt”	the rights to claim the non-performing debts and the rights to enforce the collaterals of the non-performing debts under the trust loan agreements and guarantee agreements in connection with the Ruiyuan No.76 Trust Scheme
“Ruiyuan No.76 Trust Scheme”	SITC Ruiyuan No.76 Collective Fund Trust Scheme (山東信託•睿遠76號集合資金信託計劃), a trust scheme established in February 2018 where the Company acted as the trustee and the lender of the trust loans granted thereunder
“SFATC”	Shandong Financial Assets Trade Centre Co., Ltd. (山東金融資產交易中心有限公司), the only financial asset trading platform approved by the Shandong Provincial People’s Government
“Share(s)”	the share(s) in the share capital of the Company with a nominal value of RMB1.00 each
“Shareholders”	registered holders of the Share(s)
“Transfer Agreements”	the Equity Transfer Agreement and the Debt Transfer Agreement
“%”	per cent

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

Jinan, the People’s Republic of China
31 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.