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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)**

## **CONTINUING CONNECTED TRANSACTION - REVISION OF THE EXISTING ANNUAL CAPS FOR THE LUCION GROUP TRUST FRAMEWORK AGREEMENT**

### **REVISION OF THE EXISTING ANNUAL CAPS**

Reference is made to the CCT Announcement in relation to, among other things, the Lucion Group Trust Framework Agreement entered into between the Company and Lucion Group for a term of three years commencing from 1 January 2023 and ending on 31 December 2025. The Board considered to revise and increase the existing annual caps under the Lucion Group Trust Framework Agreement, which are (i) the trustee's remuneration to be received from the trusts of which Lucion Group and/or its associates are trustors, and (ii) the maximum outstanding balance of the assets and funds to be entrusted by Lucion Group and/or its associates for the three years commencing from 1 January 2023 and ending on 31 December 2025.

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

As at the date of this announcement, since Lucion Group is the controlling shareholder of the Company, Lucion Group is a connected person of the Company under the Listing Rules. Thus, the transactions to be contemplated under the Lucion Group Trust Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.54(1) of the Listing Rules, if the Company intends to revise the annual caps for continuing connected transactions, the Company will be required to re-comply with the relevant provisions under Chapter 14A of the Listing Rules in respect of the relevant continuing connected transactions contemplated under the Lucion Group Trust Framework Agreement before the Existing Annual Caps are exceeded. As the highest applicable percentage ratio in respect of the Revised Annual Caps for the transactions contemplated under the Lucion Group Trust Framework Agreement is more than 5%, the transactions to be contemplated thereunder are subject to the reporting, announcement, annual review, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company will convene a general meeting for the purpose of considering, and if thought fit, approving the Revision of the Existing Annual Caps. A circular containing, among other things, (i) further details of the Revision of the Existing Annual Caps; (ii) a letter from the Independent Board Committee to the Independent Shareholders; (iii) a letter from Pulsar 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 19 September 2023) in accordance with the requirements of the Listing Rules.

## **BACKGROUND OF THE LUCION GROUP TRUST FRAMEWORK AGREEMENT**

Reference is made to the CCT Announcement in relation to, among other things, the Lucion Group Trust Framework Agreement entered into between the Company and Lucion Group for a term of three years commencing from 1 January 2023 and ending on 31 December 2025, pursuant to which the Company accepts entrustment of funds and assets from Lucion Group and/or its associates, manages the entrusted funds and assets for Lucion Group and/or its associates during the terms of the trusts, and receives trustee's remuneration from such trusts that the Company established for Lucion Group and/or its associates in return.

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

**Date:** 30 November 2022

**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 asset under management 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 vary 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 it 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 contracts to be entered into by Lucion Group and its associates shall be on the terms same as those of trustors who are independent third parties investing in the same collective trusts.

## **REVISION OF THE EXISTING ANNUAL CAPS**

For the reasons disclosed in the section headed “Reasons for and Benefits of the Revision of the Existing Annual Caps” below, the Board considered to revise and increase the existing annual caps under the Lucion Group Trust Framework Agreement, which are (i) the trustee’s remuneration to be received from the trusts of which Lucion Group and/or its associates are trustors, and (ii) the maximum outstanding balance of the assets and funds to be entrusted by Lucion Group and/or its associates for the three years commencing from 1 January 2023 and ending on 31 December 2025, from RMB65 million and RMB6.5 billion (the “**Existing Annual Caps**”) to RMB120 million and RMB12 billion (the “**Revised Annual Caps**”), respectively (the “**Revision of the Existing Annual Caps**”).

The Board confirms that the Existing Annual Caps for the year ending 31 December 2023 have not yet been exceeded as at the date of this announcement. Save for the Revised Annual Caps, all the terms and conditions under the Lucion Group Trust Framework Agreement remain unchanged.

## PROPOSED REVISED ANNUAL CAPS AND HISTORICAL AMOUNTS

The following table sets out (i) the Existing Annual Caps; (ii) the historical transaction amount for the year ended/as at 31 December 2022 and the six months ended/as at 30 June 2023 under the Lucion Group Trust Framework Agreement; and (iii) the proposed Revised Annual Caps:

	For the year ending/as at 31 December			Historical amount for the year ended/as at 31 December 2022 (RMB'000) (audited)	Historical amount for the six months ended/as at 30 June 2023 (RMB'000) (unaudited)	For the year ending/as at 31 December		
	2023	2024	2025			2023	2024	2025
	Existing annual cap (RMB'000)	Existing annual cap (RMB'000)	Existing annual cap (RMB'000)			Revised annual cap (RMB'000)	Revised annual cap (RMB'000)	Revised annual cap (RMB'000)
Trustee's remuneration received/to be received from the trusts of which Lucion Group and/or its associates are trustors	65,000	65,000	65,000	17,640	3,034	120,000	120,000	120,000
Maximum outstanding balance of the assets and funds entrusted/to be entrusted by Lucion Group and/or its associates	6,500,000	6,500,000	6,500,000	3,589,814	5,492,953	12,000,000	12,000,000	12,000,000

## REASONS FOR AND BENEFITS OF THE REVISION OF THE EXISTING ANNUAL CAPS

Lucion Group is an investment and financing entity and assets management platform in Shandong Province, with total consolidated assets of RMB192,539 million and net assets of RMB77,039 million as at the end of 2022. Lucion Group and its associates have strong capital strength and demand for assets and wealth management.

Being a trust company regulated by the National Administration of Financial Regulation, the Company provides diversified asset 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 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. Therefore, entering into the Lucion Group Trust Framework Agreement is in line with the actual needs for the operation and development of the Company's principal business.

The Company accepted entrustment of funds from Lucion Group and/or its associates, including Shandong Credit Enhancement and provided them with trust services, and the demand of Lucion Group and/or its associates for entrustment of funds to the Company has been gradually increasing. Shandong Credit Enhancement is the first credit improvement agency established in Shandong Province, and its principal businesses include conducting investment and asset management with its proprietary funds. At the end of December 2022, the registered capital of Shandong Credit Enhancement increased from RMB1.5 billion to RMB4.0 billion. With the increase in its registered capital, the business synergies between Shandong Credit Enhancement and the Company has been further enhanced as the Company is able to provide trust channels for it to conduct proprietary investments and asset management. As at 30 June 2023, the scale of funds entrusted by Shandong Credit Enhancement to the Company exceeded RMB3.0 billion, and it is currently expected that the scale of funds will further increase to approximately RMB7.0 billion.

Taking into account (i) the existing outstanding balance of the trust assets entrusted by Lucion Group and/or its associates which was rolled over from 2022 and the upcoming outstanding balance which will normally roll over in the next year in accordance with standard terms of the trust; (ii) other potential business opportunities that are currently under negotiation between the Company and Lucion Group and/or its associates; (iii) the expected increase in the scale of funds to be entrusted by Shandong Credit Enhancement; and (iv) the average growth rate in the balance of the trust assets under management as compared to the paid-up trust amount of the Company as at 30 June 2023 of approximately 6.7%, it is currently expected that the maximum outstanding balance of the funds/assets to be entrusted by Lucion Group and/or its associates may exceed the existing annual cap of RMB6.5 billion and reach approximately RMB11.0 billion.

The Revised Annual Caps were determined after taking into consideration of the following factors, among other things: (i) the historical outstanding balance of the funds/assets entrusted by Lucion Group and/or its associates as at 31 December 2022 and 30 June 2023; (ii) the expected business growth of Lucion Group and its associates (including Shandong Credit Enhancement) in the future and the increase in the scale of funds/assets that can be entrusted for investment in the future; (iii) the potential business opportunities under the Lucion Group Trust Framework Agreement that are currently under negotiation; (iv) a buffer to cater for any further increase in the business needs of Lucion Group and/or its associates under the Lucion Group Trust Framework Agreement and any fluctuation in the outstanding balance of the assets and funds entrusted/to be entrusted by Lucion Group and/or its associates caused by market conditions; and (v) the actual trustee's remuneration rate to be received by the Company as trustee for the management of trust assets, which shall be determined with reference to the trust assets under management and investment return on the trust assets.

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 transactions contemplated under the Lucion Group Trust Framework Agreement are in the Company's ordinary and usual course of business, and the Revised Annual Caps are determined on normal commercial terms, fair and reasonable and in the interest of the Company and the Shareholders as a whole.

## **INFORMATION OF THE COMPANY AND LUCION GROUP**

### **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 Group**

Lucion Group is a limited liability company established on 31 January 2002 in the PRC, which is an investment holding company principally engaged in financial and industrial investment, asset management services, investment consultancy services and property and hotel management. Lucion Group is owned as to 90.58% and 9.42% by the Shandong Province Finance Bureau and Shandong Caixin Assets Operation Co., Ltd., which is wholly-owned by the Shandong Province Finance Bureau. Lucion Group is the controlling shareholder of the Company.

## **INTERNAL CONTROL MEASURES**

The Group has implemented internal control procedures and policies on connected transactions to monitor connected transactions and to ensure that all connected transactions are entered into in accordance with the pricing policies, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Company has prepared and implemented the Measures for Management of Related Party Transactions which sets out, among other things, the relevant requirements for and identification of connected transactions, the responsibilities of relevant departments in conducting and managing connected transactions, reporting procedures and ongoing monitoring, with a view to ensuring compliance of the Company with applicable laws and regulations (including the Listing Rules) in relation to connected transactions.

The trust business departments of the Company (the “**Trust Business Departments**”) shall prepare relevant supporting documents for the continuing connected transactions, including trust contracts and loan and financing contracts, and the risk management departments of the Company will conduct preliminary review on the formalities of such documents.

After such preliminary review, relevant transaction documents are still subject to business decision and connected transaction approval procedures of the Company. If the relevant trust involved is a collective trust or an individual active management trust, the draft of the contract and terms of such transaction will be reviewed and approved by the trust business review committee and the general manager’s office meeting in order and reported to the related party transaction control committee of the Board for filing, and certain significant matters shall be submitted to the related party transaction control committee of the Board and the Board for approval; if the relevant trust involved is an individual trust, it will be reviewed and approved by the risk control department, the legal and compliance department, the chief risk officer and the vice general manager responsible for relevant trust business in order and will be reported to the related party transaction control committee of the Board for filing. Certain significant matters shall be subject to the approval of the related transaction control committee of the Board and the Board. The above departments will review relevant due diligence reports, contracts and terms of transactions to ensure they are not favourable than the terms offered to any independent third parties and the transaction amount does not exceed the relevant annual caps.

The legal and compliance department, finance management department and office of the board of directors (supervisors) of the Company will closely monitor connected transactions to ensure that they are conducted in accordance with the terms of the relevant agreements on the connected transaction, and will also monitor the transaction amounts under the relevant framework agreements from time to time so as to ensure that the transaction amounts will not exceed the proposed annual caps for each financial year. The Company will set an alert amount when the amount is about to reach the annual cap in case that the total transaction amount is expected to exceed such annual caps, so that the Company could timely re-comply with the requirements under Chapter 14A of the Listing Rules.

In addition, the external auditors of the Company will review the transactions contemplated under the relevant framework agreements annually to check and confirm that, among other things, whether the transactions are entered into on the pricing terms and the relevant annual caps have been exceeded.

The Directors consider that the Company has established adequate internal control measures to ensure that the transactions under the Lucion Group Trust Framework Agreement are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

## **IMPLICATIONS UNDER THE LISTING RULES**

As at the date of this announcement, since Lucion Group is the controlling shareholder of the Company holding approximately 48.13% of the total issued shares of the Company, Lucion Group is a connected person of the Company under the Listing Rules. Thus, the transactions to be contemplated under the Lucion Group Trust Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.54(1) of the Listing Rules, if the Company intends to revise the annual caps for continuing connected transactions, the Company will be required to re-comply with the relevant provisions under Chapter 14A of the Listing Rules in respect of the relevant continuing connected transactions contemplated under the Lucion Group Trust Framework Agreement before the Existing Annual Caps are exceeded. As the highest applicable percentage ratio in respect of the Revised Annual Caps for the transactions contemplated under the Lucion Group Trust Framework Agreement is more than 5%, the transactions to be contemplated thereunder are subject to the reporting, announcement, annual review, 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 Revision of the Existing Annual Caps. However, Mr. Wan Zhong (an executive Director) and Mr. Zhao Zikun (a non-executive Director) have voluntarily abstained from voting on the relevant resolution approving the Revision of the Existing Annual Caps at the Board meeting, for the reason that they currently serve positions in Lucion Group and/or its associates.

As Lucion Group has material interest in the Revision of the Existing Annual Caps, Lucion Group and its associates are required to abstain from voting on the resolution to approve the Revision of the Existing Annual Caps 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 Ms. Zhang Haiyan, Mr. Zheng Wei and Ms. Meng Rujing, to advise the Independent Shareholders on the Revision of the Existing Annual Caps. With the approval of the Independent Board Committee, Pulsar 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 Revision of the Existing Annual Caps.

## GENERAL INFORMATION

The Company will convene a general meeting for the purpose of considering, and if thought fit, approving the Revision of the Existing Annual Caps. A circular containing, among other things, (i) further details of the Revision of the Existing Annual Caps; (ii) a letter from the Independent Board Committee to the Independent Shareholders; (iii) a letter from Pulsar 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 19 September 2023) in accordance with the requirements of the Listing Rules.

## DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“CCT Announcement”	the announcement of the Company dated 30 November 2022 in relation to the continuing connected transactions
“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”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“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
“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 in respect of the Revision of the Existing Annual Caps
“Independent Financial Adviser” or “Pulsar Capital”	Pulsar Capital Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Revision of the Existing Annual Caps
“Independent Shareholders”	Shareholders that are not required to abstain from voting at the general meeting to consider and approve the Revision of the Existing Annual Caps
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“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 limited liability company established on 31 January 2002 in the PRC, the controlling shareholder of the Company
“Lucion Group Trust Framework Agreement”	the trust framework agreement dated 30 November 2022 entered into by the Company and Lucion Group, pursuant to which the Company will provide trust services to Lucion Group and/or its associates
“PRC”	the People’s Republic of China

“RMB”	Renminbi, the lawful currency of the PRC
“Shandong Credit Enhancement”	Shandong Credit Enhancement Investment Company Limited (山東省信用增進投資股份有限公司), a joint stock limited liability company established on 30 December 2021 in the PRC, an associate of Lucion Group and therefore a connected person of the Company
“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
“%”	per cent

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

Jinan, the People’s Republic of China, 29 August 2023

*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; Ms. Zhang Haiyan, Mr. Zheng Wei and Ms. Meng Rujing as independent non-executive Directors.*