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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Shandong International Trust Co., Ltd., you should at once hand this circular and the accompanying proxy form to the purchaser or transferee or to the bank or licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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# LUCION

**Shandong International Trust Co., Ltd.**

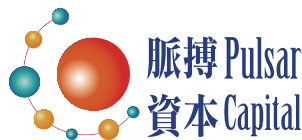
**山東省國際信託股份有限公司**

*(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  
PROPOSED APPOINTMENT OF INDEPENDENT  
NON-EXECUTIVE DIRECTOR  
AND  
NOTICE OF 2023 FIRST EXTRAORDINARY GENERAL MEETING**

**Independent Financial Adviser to the  
Independent Board Committee and Independent Shareholders**



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A notice convening the EGM to be held at Tower A, No. 2788 Aoti West Road, Lixia District, Jinan, Shandong Province, the PRC on Tuesday, 31 October 2023 at 9:30 a.m. is set out on pages 38 to 39 of this circular, and the proxy form for use is enclosed herewith and also published on both the websites of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.sitic.com.cn>). If you intend to appoint a proxy to attend the EGM, you are requested to complete, sign and return the enclosed proxy form in accordance with the instructions printed thereon no less than 24 hours before the time appointed for holding the EGM or any adjournment thereof (i.e. by 9:30 a.m. on Monday, 30 October 2023). Completion, signing and return of the proxy form will not preclude you from attending and voting in person at the EGM.

11 October 2023

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:*

|                            |   |
|----------------------------|---|
| “associate(s)”             | has the meaning ascribed to it under the Listing Rules  |
| “Board”                    | the board of Directors of the Company   |
| “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  |
| “Domestic Share(s)”        | ordinary share(s) of the Company with a nominal value of RMB1.00 each, which is/are subscribed for or credited as paid up in Renminbi   |
| “EGM”                      | the 2023 first extraordinary general meeting of the Company to be held at Tower A, No. 2788 Aoti West Road, Lixia District, Jinan, Shandong Province, the PRC on Tuesday, 31 October 2023 at 9:30 a.m. and any adjournment thereof (as the case may be) |
| “Group”                    | the Company and the trust schemes over which it has control   |
| “H Share(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   |

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## DEFINITIONS

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| “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”<br>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, 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 EGM to consider and approve the Revision of the Existing Annual Caps   |
| “Latest Practicable Date”                              | 9 October 2023, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein  |
| “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  |
| “Securities and Futures Ordinance”                     | Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong)   |

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## DEFINITIONS

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|-------------------------------|---|
| “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 company with limited liability established on 30 December 2021 in the PRC, an associate of Lucion Group and therefore a connected person of the Company |
| “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)  |
| “Supervisor(s)”               | the supervisor of the Company   |
| “%”                           | per cent  |

# 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)**

*Executive Directors:*

Mr. Wan Zhong (*Chairperson*)

Mr. Fang Hao (*General Manager*)

*Non-executive Directors:*

Mr. Wang Zengye (*Vice-chairperson*)

Mr. Zhao Zikun

Ms. Wang Bailing

*Independent Non-executive Directors:*

Ms. Zhang Haiyan

Mr. Zheng Wei

Ms. Meng Rujing

*Registered office:*

Partial area of 1/F, 2/F and 13/F

32-35/F and 40/F, Tower A

No. 2788 Aoti West Road

Lixia District

Jinan, Shandong Province

PRC

*Principal place of business in Hong Kong:*

31/F, Tower Two, Times Square

1 Matheson Street

Causeway Bay

Hong Kong

11 October 2023

*To the Shareholders*

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTION –  
REVISION OF THE EXISTING ANNUAL CAPS FOR THE  
LUCION GROUP TRUST FRAMEWORK AGREEMENT  
PROPOSED APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTOR  
AND  
NOTICE OF 2023 FIRST EXTRAORDINARY GENERAL MEETING**

**I. INTRODUCTION**

The purpose of this circular is to give you a notice of the EGM, which is set out on pages 38 to 39 of this circular, and to provide you with information in respect of the resolutions to be proposed at the EGM to enable you to make informed decisions on voting on the resolutions as described below. At the EGM, ordinary resolutions will be proposed to consider and approve (i) the revision of the existing annual caps for the Lucion Group Trust Framework Agreement; and (ii) the proposed appointment of independent non-executive Director.

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## LETTER FROM THE BOARD

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### II. CONTINUING CONNECTED TRANSACTION – REVISION OF THE EXISTING ANNUAL CAPS FOR THE LUCION GROUP TRUST FRAMEWORK AGREEMENT

#### 1. 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%);

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## LETTER FROM THE BOARD

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- 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.

### 2. Revision of the Existing Annual Caps

For the reasons disclosed in the section headed “4. 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 each of 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**”).



## LETTER FROM THE BOARD

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

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

### 4. 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

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## LETTER FROM THE BOARD

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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 owned as to approximately 35.7% by Lucion Group (which is its largest shareholder), it is the first credit improvement agency established in Shandong Province, and its principal businesses include providing credit enhancement service and conducting investment and asset management with its proprietary funds. Shandong Credit Enhancement conducts investment and asset management with its proprietary funds by cooperating with other business partners so as to leverage on their channels, qualifications and expertise. In selecting its business partners, Shandong Credit Enhancement will generally take into account their background, reputation and expertise. Given the Company is a state-owned enterprise which shares the same controlling shareholder with Shandong Credit Enhancement and the first and only domestic trust company listed on the Hong Kong Stock Exchange, which possesses the unique trust channel and relevant investment expertise, Shandong Credit Enhancement regards the Company as an ideal business partner in conducting its proprietary investment business. 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 at 30 June 2023, the scale of funds entrusted by Shandong Credit Enhancement to the Company exceeded RMB3.0 billion, and Shandong Credit Enhancement entered into a supplemental agreement with the Company to increase the maximum amount of fund entrustment by RMB1.0 billion in August 2023. As at the Latest Practicable Date, the Company has not fully accepted the additional fund entrustment as the full acceptance may cause the Company to exceed the Existing Annual Caps given the balances of the funds/assets entrusted to the Company for management may fluctuate. It is also anticipated that further additional funds may be entrusted by Shandong Credit Enhancement and the total scale of funds entrusted may increase to approximately RMB7.0 billion. Therefore, depending on the progress of business negotiation, parties may need to consider further increasing the maximum amount of fund entrustment to cater for such business needs by end of 2023. In addition to Shandong Credit Enhancement, the Company is currently negotiating a trust contract with another associate of Lucion Group as at the Latest Practicable Date, under which the estimated scale of funds to be entrusted is approximately RMB0.5 billion.

As mentioned above, the balances of the funds/assets entrusted by trustor clients to the Company may fluctuate as a results of the Company's management. As at 30 June 2023, the initial amount of the funds/assets entrusted by trustor clients to the Company (also known as the "paid-up trust amount") was approximately RMB157.0 billion, and the outstanding balance of the funds/assets managed by the Company for its clients (also known as the "trust assets under management") reached approximately RMB167.6 billion, representing a growth rate of approximately 6.7%.

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## LETTER FROM THE BOARD

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The Revised Annual Caps were determined after taking into consideration of the following factors:

- (i) the current anticipation 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, taking into account: (a) 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 the standard terms of the trust contracts, (b) the expected increase in the scale of funds to be entrusted by Shandong Credit Enhancement, (c) other potential business opportunities that are currently under negotiation between the Company and Lucion Group and/or its associates, and (d) 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%;
- (ii) the expected business growth of Lucion Group and its associates (including Shandong Credit Enhancement) and the increase in the scale of funds/assets that can be entrusted for investment in the future. According to the financial information published by Lucion Group in the past three years, (a) its total assets amounted to approximately RMB176.9 billion and RMB192.5 billion as at 31 December 2021 and 31 December 2022, respectively, representing an increase of approximately 8.8%; and (b) its total operating revenue amounted to approximately RMB9.4 billion and RMB12.3 billion for the years ended 31 December 2021 and 2022, respectively, representing a year-over-year growth of approximately 30.9%. As such, the Company is of the view that (a) the business of Lucion Group and/or its associates will continue to grow in the future; and (b) in line with the business growth of Lucion Group and/or its associates, it is expected that the scale of funds/assets to be entrusted for investment by Lucion Group and/or its associates will increase in the future;
- (iii) According to a prospectus issued by Lucion Group in relation to its issuance of super short-term commercial paper in July 2023, which is publicly available, Lucion Group has stipulated its development plan in accelerating its business development in several sectors, such as infrastructure industry, venture capital and financial services. Given that the Company will proactively and steadily develop its trust business in infrastructure industry and capital markets and to support various industrial and commercial enterprises, the Company expects that there will be more business cooperation with Lucion Group in the above sectors in the future, including but not limited to investment in the form of trust;
- (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 funds/assets entrusted/to be entrusted by Lucion Group and/or its associates as a result of the Company's management and/or market conditions; and

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## LETTER FROM THE BOARD

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- (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. The trustee's remuneration to be received from the trusts of which Lucion Group and/or its associates are trustors for the three years ending 31 December 2025 will be determined with reference to the average of the historical actual trustee's remuneration rates of approximately 1% of the maximum outstanding balance for the years ended 31 December 2020, 2021 and 2022. Taking into account that the historical actual trustee's remuneration rates and the range of trustee's remuneration rate (annualised) of the existing trusts managed by the Company (being approximately 0.1% to 5%), the Directors considered that the revised annual cap of trustee's remuneration received/to be received by the Company is fair and reasonable.

Having considered the abovementioned factors, the Directors (including the independent non-executive Directors) consider 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.

### **5. 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 whose scope of business includes investment and management of financial asset, venture capital, new energy and new materials, modern marine, printing investment, oil and gas and other investment and operation businesses. 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.

### **6. 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.

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## LETTER FROM THE BOARD

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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 (the “**Related Party Transaction Control Committee**”) for filing, and certain significant matters shall be submitted to the Related Party Transaction Control Committee and the Board for approval; if the relevant trust involved is an individual administrative management 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 for filing. Certain significant matters shall be subject to the approval of the Related Party Transaction Control Committee 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.

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## LETTER FROM THE BOARD

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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.

### **7. Listing Rules Implications**

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 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 ratios in respect of the Revised Annual Caps for the transactions contemplated under the Lucion Group Trust Framework Agreement is more than 5%, the transactions 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 EGM. Save as disclosed above, there are no other Shareholders who have material interest in the Revision of the Existing Annual Caps or have to abstain from voting on the resolution to approve the Revision of the Existing Annual Caps at the EGM.

### **8. Independent Board Committee**

The Independent Board Committee has been formed by the Company to consider, and to advise the Independent Shareholders on the Revision of the Existing Annual Caps. The Company has appointed Pulsar Capital to make recommendations to the Independent Board Committee and the Independent Shareholders on the Revision of the Existing Annual Caps. A letter from the Independent Board Committee to the Independent Shareholders is set out on pages 16 to 17 of this circular. The letter from the Independent Board Committee to the Independent Shareholders contains its recommendation on the Revision of the Existing Annual Caps.

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## LETTER FROM THE BOARD

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Having considered the Revision of the Existing Annual Caps and having taken into account the advice from Pulsar Capital as stated in its letter, the independent non-executive Directors consider 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.

### 9. Independent Financial Adviser

The Company has appointed Pulsar Capital as the Independent Financial Adviser for providing advice to the Independent Board Committee and the Independent Shareholders on whether the Revision of the Existing Annual Caps is fair and reasonable, and whether it is in the interests of the Company and the Shareholders as a whole. A letter from Pulsar Capital to the Independent Board Committee and the Independent Shareholders is set out on pages 18 to 32 of this circular. The letter from Pulsar Capital to the Independent Board Committee and the Independent Shareholders contains factors they have considered and their recommendations on the Revision of the Existing Annual Caps.

### III. PROPOSED APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTOR

Reference is made to the announcement of the Company dated 29 August 2023 in relation to the proposal of the Board to appoint Ms. Liu Wanwen (劉皖文) (“**Ms. Liu**”) as an independent non-executive Director. Such appointment is subject to the approval by the Shareholders at the EGM and the approval by the Shandong Office of the National Financial Regulatory Administration.

The biographical details of Ms. Liu are set out as follows:

Ms. Liu Wanwen, 54, has over 25 years of experience in the banking and asset management sectors. From May 1996 to December 2006, she successively worked in the business department of Shenzhen branch of Sanwa Bank (currently known as MUFG Bank), Shenzhen branch of American International Assurance Co., Ltd., Guangzhou branch of China Minsheng Bank, Guangzhou branch of Industrial Bank and Shenzhen branch of KBC Bank, etc. From December 2006 to December 2011, she worked at the Shenzhen branch of Standard Chartered Bank (China) Co., Ltd., where she successively served as the head of the multinational enterprise department and a member of the management committee, the vice president of the Shenzhen branch and the head of private bank division of the South China region. From December 2011 to November 2014, she served as a director and head of the Chinese local large enterprises department at the Shanghai branch of Standard Chartered Bank (China). Since November 2014, she has been the managing director of the private wealth management department of UOB Kay Hian (Hong Kong) Limited. Ms. Liu obtained a bachelor's degree in arts from Anhui University.

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## LETTER FROM THE BOARD

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The term of office of Ms. Liu as an independent non-executive Director shall commence from the date of approval of her appointment by the Shareholders and approval of her qualification by the Shandong Office of the National Financial Regulatory Administration and end at the expiry of the third session of the Board. Subject to the approval of her appointment at the EGM and the approval of her qualification by the Shandong Office of the National Financial Regulatory Administration, the Company will enter into a service contract with Ms. Liu. Ms. Liu will receive remuneration of RMB100,000 per annum before tax.

As at the Latest Practicable Date, Ms. Liu does not hold any positions in the Company. Save as disclosed above, Ms. Liu confirms that (i) she has not held any other directorships in other listed companies in last three years; (ii) she has no relationship with any other Directors, Supervisors, senior management, substantial shareholders or controlling shareholders (as defined under the Listing Rules) of the Company; and (iii) she does not have any equity interests in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance. Save as disclosed above, there is no other information relating to the appointment of Ms. Liu that needs to be disclosed pursuant to the requirements of Rules 13.51(2)(h) to (v) of the Listing Rules, and there is no other matter that needs to be brought to the attention of the Shareholders.

To ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business and corporate governance, the Board has adopted the nomination policy of the Company, setting out the process and criteria of identifying potential candidates of Directors and proposing re-election of Directors. The nomination and remuneration committee under the Board, when proposing to elect Ms. Liu as independent non-executive Director, has been following the Company's nomination policy, which has been set out in the annual report and the website of the Company.

The Board is of the view that Ms. Liu has extensive knowledge and experience in the banking and asset management sectors, and her track records, experience and professional strengths can provide the Board with valuable views and can improve the diversity of the Board composition. After reviewing her curriculum vitae and evaluating the independence requirements under the Listing Rules, the Board is satisfied with the independence of Ms. Liu as a candidate for independent non-executive Director. In addition, the appointment of Ms. Liu as an independent non-executive Director after the departure of Ms. Meng Rujing (her departure shall take effect upon the approval of the qualification of Ms. Liu by the Shandong Office of the National Financial Regulatory Administration) will enable the Board to maintain the current level of gender diversity.

#### IV. EGM

The EGM will be held at Tower A, No. 2788 Aoti West Road, Lixia District, Jinan, Shandong Province, the PRC on Tuesday, 31 October 2023 at 9:30 a.m. A notice convening the EGM is set out on pages 38 to 39 of this circular.



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## LETTER FROM THE BOARD

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The holders of H Shares and Domestic Shares whose names appear on the registers of the members of the Company on Tuesday, 31 October 2023 are entitled to attend and vote at the EGM. The registers of members of the Company will be closed from Thursday, 26 October 2023 to Tuesday, 31 October 2023 (both days inclusive), during which no transfer of Shares can be registered. All transfer documents together with the relevant share certificates must be lodged for registration with the Company's Hong Kong branch H share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong (for holders of H Shares) or the Office of the Board of Directors (Supervisors) of the Company at 35/F, Tower A, No. 2788 Aoti West Road, Lixia District, Jinan, Shandong Province, the PRC (for holders of Domestic Shares) not later than 4:30 p.m. on Wednesday, 25 October 2023.

A proxy form for use at the EGM is enclosed herewith and also published on both the websites of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.sitic.com.cn>). If you intend to appoint a proxy to attend the EGM, you are requested to complete, sign and return the enclosed proxy form in accordance with the instructions printed thereon no less than 24 hours before the time appointed for holding the EGM or any adjournment thereof (i.e. by 9:30 a.m. on Monday, 30 October 2023). Completion, signing and return of the proxy form will not preclude you from attending and voting in person at the EGM.

### V. LISTING RULES REQUIREMENTS

According to Rule 13.39(4) of the Listing Rules, apart from certain exceptions, any vote of Shareholders at a general meeting must be taken by poll. The resolutions at the EGM will be voted by way of poll. The Chairperson of the EGM shall therefore demand voting on the resolutions set out in the notice of the EGM be taken by way of poll pursuant to Article 88 of the articles of association of the Company. An announcement on the poll results will be published on the websites of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.sitic.com.cn>), respectively by the Company after the conclusion of the EGM in the manner prescribed under the Listing Rules.

### VI. RECOMMENDATION

The Board considers that (i) 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; and (ii) the proposed appointment of Ms. Liu Wanwen as an independent non-executive Director is in the interest of the Company and the Shareholders as a whole. Accordingly, the Board recommends that all Shareholders vote in favour of the resolutions, to be proposed at the EGM as set out in the notice of the EGM.

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

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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*The following is the text of a letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in relation to the Revision of the Existing Annual Caps.*

# 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)**

11 October 2023

*To the Independent Shareholders*

Dear Sir or Madam,

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

We refer to the circular of the Company dated 11 October 2023 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular, unless the context otherwise requires.

We have been appointed as members of the Independent Board Committee to consider the Revision of the Existing Annual Caps, and to give recommendation to the Independent Shareholders as to whether, in our opinion, the transactions contemplated under the Lucion Group Trust Framework Agreement are in the Company’s ordinary and usual course of business, whether the Revised Annual Caps are determined on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned, and whether it is in the interest of the Company and the Shareholders as a whole. Pulsar Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Revision of the Existing Annual Caps.

We wish to draw your attention to the letter from the Board set out in the section of Letter from the Board in the Circular which contains, among other things, information about the Revision of the Existing Annual Caps, the letter of advice from Pulsar Capital set out in the section of Letter from Pulsar Capital in the Circular which contains its advice in respect of the Revision of the Existing Annual Caps, and the information set out in the appendix thereto.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Having considered the Revision of the Existing Annual Caps and having taken into account the advice from Pulsar Capital as stated in its letter, we consider 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. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM in relation to the Revision of the Existing Annual Caps and the transactions contemplated thereunder.

Yours faithfully,

For and on behalf of  
Independent Board Committee

**Ms. Zhang Haiyan**  
*Independent non-executive  
Director*

**Mr. Zheng Wei**  
*Independent non-executive  
Director*

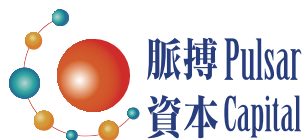
**Ms. Meng Rujing**  
*Independent non-executive  
Director*

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## LETTER FROM PULSAR CAPITAL

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*The following is the text of the letter of advice to the Independent Board Committee and the Independent Shareholders from the Independent Financial Adviser which has been prepared for inclusion in this circular.*



11 October 2023

*To the Independent Board Committee and the Independent Shareholders of Shandong International Trust Co., Ltd.*

Dear Sir or Madam,

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

#### **INTRODUCTION**

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the revision (the “**Revision**”) of the existing annual caps (the “**Existing Annual Caps**”) for the continuing connected transaction in relation to the Lucion Group Trust Framework Agreement (the “**Revised Annual Caps**”), details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular dated 11 October 2023 (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise defined.

As at the Latest Practicable Date, Lucion Group is a controlling shareholder of the Company holding approximately 48.13% of the total issued share capital of the Company. Therefore, Lucion Group is a connected person of the Company under Rule 14A.07 of the Listing Rules. Accordingly, the transactions 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 ratios in respect of the Revised Annual Caps for the transactions contemplated under the Lucion Group Trust Framework Agreement is more than 5%, the transactions contemplated thereunder are subject to the reporting, announcement, annual review, circular and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

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## LETTER FROM PULSAR CAPITAL

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As stated in the Letter from the Board, 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 EGM. The resolution at the EGM will be voted by way of poll.

### INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all of the independent non-executive Directors (namely, Ms. Zhang Haiyan, Mr. Zheng Wai and Ms. Meng Rujing) has been formed to advise the Independent Shareholders on the Revision of the Existing Annual Caps.

We have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the transactions contemplated under the Lucion Group Trust Framework Agreement are in the Company's ordinary and usual course of business and the Revision of the Existing Annual Caps are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

As at the Latest Practicable Date, we were not connected with the Directors, chief executive and substantial shareholders of the Company or any of its subsidiaries or their respective associates and are therefore considered suitable to give independent advice to the Independent Board Committee and the Independent Shareholders. During the last two years, we were not engaged as an independent financial adviser to the Company. Except for the service of independent financial adviser as stated in this letter, we had not provided any other services to the Company in the last two years. Apart from normal professional fees payable to us by the Company in connection with the current appointment, no arrangement exists whereby we have received or will receive any fees or benefits from the Company or the Directors, chief executive and substantial shareholders of the Company or any of its subsidiaries or their respective associates or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules.

### BASIS OF OUR OPINION

In formulating our opinion, we have relied on the information, statements, opinions and representations provided to us by the Company, its representatives, its management (the "**Management**") and the Directors for which they are solely and wholly responsible for and we have assumed that all such information, statements, opinions and representations contained or referred to in the Circular were true, accurate and complete at the time they were made and continue to be true, accurate and complete as at the date of the Circular. We have reviewed documents including, among other things, (i) the Lucion Group Trust Framework Agreement dated 30 November 2022; (ii) the previous Lucion Group Trust Framework Agreements dated 26 August 2019 and 16 November 2017; (iii) the annual reports of the Company for the years

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## LETTER FROM PULSAR CAPITAL

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ended 31 December 2020, 2021 and 2022 and the interim results announcement of the Company for the six months ended 30 June 2023 dated 29 August 2023 (the “**2023 Interim Results Announcement**”); (iv) the consolidated financial statements of Lucion Group for the years ended 31 December 2020, 2021 and 2022 and the interim report of Lucion Group for the six months ended 30 June 2023; (v) the prospectus of the Company dated 28 November 2017; (vi) the 2023 fourth tranche super short term financing notes offering circular published by Lucion Group dated 21 July 2023 (the “**Offering Circular**”); and (vii) the Circular and the information as set out in the Circular.

We have assumed that all statements of belief, opinion and intention made by the Company, its representatives, the Management and the Directors as set out in the Circular were reasonably made after due and careful enquiry. We have also sought and obtained confirmation from the Company that no material facts have been omitted from the information provided and referred to in the Circular. The Directors confirmed that they have provided us with all information and documents which are available under present circumstances to enable us to reach an informed view and we have relied on the accuracy of such information and the information contained in the Circular to provide a reasonable basis of our opinion.

Our review and analyses were based upon the information and facts contained or referred to in the Circular, the information provided by the Company and the relevant public information. We consider that we have reviewed sufficient information to reach a reasonably informed view to justify our reliance on the accuracy of the information contained in the Circular as aforesaid and to provide reasonable grounds for our advice. In addition, we have no reason to doubt the truth, accuracy and/or completeness of the information and representations as provided to us by the Directors, the Management and/or representatives of the Company. We, however, have not conducted any independent in-depth investigation into the business, affairs, financial position or prospects of the Group nor we have carried out any independent verification of the information supplied.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In arriving at our opinion and recommendation in respect of the Revision of the Existing Annual Caps, we have considered the following principal factors and reasons:

#### **Information on the Company**

As stated in the Letter from the Board, the Company is a joint stock company established in the PRC with limited liability and is principally engaged in the provision of comprehensive financial service and wealth management service. We noted from the annual report of the Company for the year ended 31 December 2022 that the Company’s business segments are mainly comprised of (i) trust business; and (ii) proprietary business. Trust business is the Group’s main business. As the trustee, the Group accepts entrustment of funds and/or property from its trustor clients and manages such entrusted funds and/or property to satisfy its trustor clients’ investment and wealth management needs, as well as its counterparty clients’ financing needs. The Group’s proprietary business focuses on allocating its proprietary assets into different asset classes and investing in businesses with strategic value to its trust business to maintain and increase the value of its proprietary assets.

## LETTER FROM PULSAR CAPITAL

Set out below is certain audited financial information of the Group for the three years ended 31 December 2022 as extracted from the 2020, 2021 and 2022 annual reports of the Company and certain unaudited financial information of the Group for the six months ended 30 June 2023 and corresponding previous period in 2022 as extracted from the 2023 Interim Results Announcement:

|  | For the year ended 31 December       |                                      |                                      | For the six months ended               |  |
|--|--------------------------------------|--------------------------------------|--------------------------------------|--|--|
|  | 2020                                 | 2021                                 | 2022                                 | 30 June                                |  |
|  | <i>(RMB'000)</i><br><i>(audited)</i> | <i>(RMB'000)</i><br><i>(audited)</i> | <i>(RMB'000)</i><br><i>(audited)</i> | <i>(RMB'000)</i><br><i>(unaudited)</i> | <i>(RMB'000)</i><br><i>(unaudited)</i> |
| <b>Trust business</b>  |                                      |                                      |                                      |  |  |
| Operating/Segment income (A)   | 1,155,078                            | 830,812                              | 991,686                              | 516,592                                | 418,718                                |
| <b>Proprietary business</b>  |                                      |                                      |                                      |  |  |
| – Operating income (B)   | 1,150,552                            | 947,884                              | 453,510                              | 289,108                                | 417,439                                |
| – Share of results from investments in associates accounted for using the equity accounting method | 368,874                              | 481,324                              | 176,985                              | –                                      | –                                      |
| – Non-operating income   | –                                    | –                                    | –                                    | 364                                    | 2,922                                  |
| Segment income   | 1,519,426                            | 1,429,208                            | 630,495                              | 289,472                                | 420,361                                |
| Total operating income (A + B)   | 2,305,630                            | 1,778,696                            | 1,445,196                            | 805,700                                | 836,157                                |
| Net profit/(loss) attributable to shareholders of the Company                                      | 627,818                              | 468,519                              | 280,429                              | (474,272)                              | 175,077                                |

The operating income of the Group decreased from approximately RMB2,305.6 million for the year ended 31 December 2020 to approximately RMB1,778.7 million for the year ended 31 December 2021, representing a year-on-year decrease of approximately 22.9%. The segment income from the trust business decreased from approximately RMB1,155.1 million for the year ended 31 December 2020 to approximately RMB830.8 million for the year ended 31 December 2021, representing a year-on-year decrease of approximately 28.1%. As stated in the 2021 annual report of the Company, the decrease in segment income from the trust business was mainly due to a decrease in the Group's fee and commission income. The segment income from the proprietary business decreased from approximately RMB1,519.4 million for the year ended 31 December 2020 to approximately RMB1,429.2 million for the year ended 31 December 2021, representing a year-on-year decrease of approximately 5.9%. As stated in the 2021 annual report of the Company, the decrease in segment income from the proprietary business was mainly due to (i) the decrease in interest income; and (ii) the decrease in net changes in fair value on financial assets at fair value through profit or loss and investments in associates

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## LETTER FROM PULSAR CAPITAL

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measured at fair value from an income to a loss, and partially offset by (i) the increase in investment income; (ii) the increase in net gains on disposal of associates; and (iii) the increase in share of results of investments in associates accounted for using the equity accounting method. The net profit attributable to shareholders of the Company decreased from approximately RMB627.8 million for the year ended 31 December 2020 to approximately RMB468.5 million for the year ended 31 December 2021, representing a year-on-year decrease of approximately 25.4%.

The operating income of the Group decreased from approximately RMB1,778.7 million for the year ended 31 December 2021 to approximately RMB1,445.2 million for the year ended 31 December 2022, representing a year-on-year decrease of approximately 18.7%. The segment income from the trust business increased from approximately RMB830.8 million for the year ended 31 December 2021 to approximately RMB991.7 million for the year ended 31 December 2022, representing a year-on-year increase of approximately 19.4%. As stated in the 2022 annual report of the Company, the increase in segment income from the trust business was mainly due to an increase in the Group's fee and commission income. The segment income from the proprietary business decreased from approximately RMB1,429.2 million for the year ended 31 December 2021 to approximately RMB630.5 million for the year ended 31 December 2022, representing a year-on-year decrease of approximately 55.9%. As stated in the 2022 annual report of the Company, the decrease in segment income from the proprietary business was mainly due to (i) the change in investment income from an income to a loss; (ii) the decrease in interest income; (iii) the decrease in share of results from investments in associates accounted for using the equity accounting method, and partially offset by (i) the increase in net gains on disposal of associates; (ii) the change in net changes in fair value on financial assets at fair value through profit or loss and investments in associates measured at fair value from a loss to a gain. The net profit attributable to shareholders of the Company decreased from approximately RMB468.5 million for the year ended 31 December 2021 to approximately RMB280.4 million for the year ended 31 December 2022, representing a year-on-year decrease of approximately 40.1%.

The operating income of the Group increased from approximately RMB805.7 million for the six months ended 30 June 2022 to approximately RMB836.2 million for the six months ended 30 June 2023, representing a year-on-year increase of approximately 3.8%. The segment income from the trust business decreased from approximately RMB516.6 million for the six months ended 30 June 2022 to approximately RMB418.7 million for the six months ended 30 June 2023, representing a year-on-year decrease of approximately 19.0%. As stated in the 2023 Interim Results Announcement, the decrease in segment income from the trust business was mainly due to a decrease in the Group's net fee and commission income. The segment income from the proprietary business increased from approximately RMB289.5 million for the six months ended 30 June 2022 to approximately RMB420.4 million for the six months ended 30 June 2023, representing a year-on-year increase of approximately 45.2%. As reference to the 2023 Interim Results Announcement, the increase in segment income from the proprietary business was mainly due to an increase in the gains from changes in fair value of financial assets held for trading. The Group recorded a net profit attributable to shareholders of the Company of approximately RMB175.1 million for the six months ended 30 June 2023 as compared to a net loss attributable to shareholders of the Company of approximately RMB474.3 million for the six months ended 30 June 2022.



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## LETTER FROM PULSAR CAPITAL

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### **Information on Lucion Group**

As mentioned in the 2022 annual report of the Company, Lucion Group is a limited liability company established in the PRC and an investment holding company whose business scope involve financial asset investment and management, venture capital, new energy and new materials, modern marine, printing investment, oil and gas and other investment and operation businesses. Lucion Group is the controlling shareholder of the Company.

### **Reasons for and benefits of the Revision**

As stated in the Letter from the Board, 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.

Having considered the above and that the trust business is the Company's principal business which contributed to approximately 68.6% of the Group's operating income for the year ended 31 December 2022, we concur with the Directors that the transactions contemplated under the Lucion Group Trust Framework Agreement are conducted in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

### **Principal terms of the Lucion Group Trust Framework Agreement**

Set out below are the principal terms of the Lucion Group Trust Framework Agreement, details of which are set out in the Letter from the Board:

- 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))

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## LETTER FROM PULSAR CAPITAL

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| 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.   |
| Term:   | 1 January 2023 to 31 December 2025   |
| Pricing policy (the "Lucion Group Trust Pricing Policy"): | <p>(a) 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 "<b>Trustee's Remuneration Range</b>");</p> <p>(b) 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;</p> <p>(c) 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 of its associates, in particular the trustee's remuneration rate, shall be comparable to those trusts of which independent third parties are trustors; and</p> <p>(d) 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.</p> |

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## LETTER FROM PULSAR CAPITAL

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We have reviewed the Lucion Group Trust Framework Agreement and noted that the terms under the Lucion Group Trust Framework Agreement are similar to the terms of the previous Lucion Group Trust Framework Agreements dated 26 August 2019 and 16 November 2017. As advised by the Management, all the existing trust contracts entered into between Shandong Credit Enhancement and the Company under the Lucion Group Trust Framework Agreement are categorised as capital market trusts and it is expected that it will continue to increase in the second half of 2023. We have discussed and understood from the Management that capital market trust accounted for approximately 60% of the total scale of all categories of trust of Lucion Group and its associates in terms of the outstanding balance of the funds/assets entrusted as at 30 June 2023. Accordingly, we selected and reviewed 11 past sample capital market trust contracts (the “**Trust Sample Contracts**”) out of the total 178 existing capital market trust contracts between the Group and its customers as at 30 June 2023, on a non-exhaustive and random basis, (a) two of which were previously entered into between the Company and Lucion Group and/or its associates under the Lucion Group Trust Framework Agreement (the “**Lucion Group Sample Contracts**”); and (b) the remaining nine of which were entered into between the Company and independent third parties as trustor clients. The total trust assets of the sample size of 11 capital market trust contracts represented approximately 27.7% of the whole population size in terms of the outstanding balance of the funds/assets entrusted as at 30 June 2023 and we consider that our sample size of 11 sample capital market trust contracts to be sufficient for our review. We noted that the principal terms of trust contracts entered into by Lucion Group or any of its associates, in particular the trustee’s remuneration rate, were no less favorable to the Company than those specified in the Trust Sample Contracts entered into with independent third parties by the Company.

We further discussed with the Management and understood that as each trust contract under the Lucion Group Trust Framework Agreement involved different scope of services specifically required by each trust client, the trustee remuneration offered by the Company in different trusts could substantially differ. The Management confirmed that the Company determined the pricing terms for each trust client under the Lucion Group Trust Pricing Policy and followed the internal control procedures and policies on connected transactions 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. Further details of the internal control measures are set out in the Letter from the Board. In order to assess the internal control measures associated with the continuing connected transactions contemplated under the Lucion Group Trust Framework Agreement, we have carried out the following procedures:

- (i) we have reviewed (a) 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; and (b) three sample records of past internal approvals (including two approvals for the two Lucion Group Sample Contracts and one approval for revision of the scale of trust assets under one of these Lucion Group Sample Contracts) for certain specified transactions entered into by the Company under the Lucion Group

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## LETTER FROM PULSAR CAPITAL

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Trust Framework Agreement using the same sampling basis as the Trust Sample Contracts mentioned above. The total scale of trust assets covered by the sample internal approvals of the underlying capital market trust contracts entered into by the Company with Lucion Group and/or its associates (including Shandong Credit Enhancement) accounted for approximately 94.5% of the total scale of all categories of trust assets of Lucion Group and its associates (including Shandong Credit Enhancement) in terms of the outstanding balance of the funds/assets entrusted as at 30 June 2023 and we consider that the number of samples reviewed to be sufficient. In addition, the Company has such internal control measures in place since the listings of its shares on the Hong Kong Stock Exchange and we relied on confirmations from the auditors of the Company and the independent non-executive Directors. Based on our review and as advised by the Management, past specific transactions entered into between the Company and Lucion Group under the Lucion Group Trust Framework Agreement were generally in compliance with the Measures for Management of Related Party Transactions which, as advised by the Management, were set to ensure that the Company conformed to the pricing policies of the Lucion Group Trust Framework Agreement in entering into the connected transaction;

- (ii) we noted from the 2020, 2021 and 2022 annual reports of the Company that the independent non-executive Directors have reviewed the continuing connected transactions contemplated under the Lucion Group Trust Framework Agreement and confirmed that such transactions had been (a) entered into in the ordinary course of business of the Company; (b) entered into on normal or better commercial terms; and (c) conducted in accordance with the relevant agreement whose terms are fair and reasonable and in the interests of the Shareholders as a whole; and
- (iii) we noted from the 2020, 2021 and 2022 annual reports of the Company that the auditors of the Company had performed certain planned audit procedures for the continuing connected transactions entered into by the Company for the years ended 31 December 2020, 2021 and 2022, and concluded that such transactions (a) had been approved by the Board; (b) had followed the pricing policies of the Company in all material respects; (c) were conducted in accordance with the relevant agreements for such transactions in all material aspects; and (d) had an aggregate amount not exceeding the relevant cap disclosed in the annual report. We had reviewed the three letters issued by the auditors of the Company to the Board dated 31 March 2021, 30 March 2022 and 28 March 2023 and noted that the auditors of the Company had performed procedures in accordance with Hong Kong Standard on Assurance Engagements 3000 and with reference to Practice Note 740 and confirmed that they had performed sample checks on the continuing connected transactions entered into between the Company and Lucion Group during the years ended 31 December 2020, 2021 and 2022 and nothing had come to their attention that led them to believe that such continuing connected transactions do not comply in all material respects with the Group's pricing policies.

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Based on the above, we are of the view that the principal terms of the Lucion Group Trust Framework Agreement are on normal commercial terms or better and are fair and reasonable so far as the Independent Shareholders are concerned and the Group has adequate internal control policies and procedures in place to ensure that the transactions under the Lucion Group Trust Framework Agreement would be conducted in accordance with the Lucion Group Trust Pricing Policy and the Revised Annual Caps would not be exceeded.

### Revised Annual Caps under the Lucion Group Trust Framework Agreement

The table below shows the historical transaction amounts, the Existing Annual Caps and the Revised Annual Caps under the Lucion Group Trust Framework Agreement:

|   | For the year ended/As at 31 December 2022 |                     | For the six months ended/As at 30 June 2023 |                     | For the year ending/As at 31 December |                     |                    |                     |                    |
|---|---|---------------------|---|---------------------|---------------------------------------|---------------------|--------------------|---------------------|--------------------|
|   | Historical amount                         | Existing annual cap | Historical amount                           | Existing annual cap | 2023                                  |                     | 2024               |                     | 2025               |
|   | (RMB'000)<br>(audited)                    | (RMB'000)           | (RMB'000)<br>(unaudited)                    | (RMB'000)           | Revised annual cap                    | Existing annual cap | Revised annual cap | Existing annual cap | Revised annual cap |
|   | (A)                                       | (B)                 | (A)   | (B)                 | (RMB'000)                             | (RMB'000)           | (RMB'000)          | (RMB'000)           | (RMB'000)          |
| Trustee's remuneration received/to be received from the trusts of which Lucion Group and/or its associates are trustors (1) | 17,640                                    | 170,000             | 3,034                                       | 65,000              | 120,000                               | 65,000              | 120,000            | 65,000              | 120,000            |
| Trustee's remuneration rate as percentage of maximum outstanding balance (=1/2)   | 0.5%                                      | 2%                  | 0.06%                                       | 1%                  | 1%                                    | 1%                  | 1%                 | 1%                  | 1%                 |
| Maximum outstanding balance of the assets and funds entrusted/to be entrusted by Lucion Group and/or its associates (2)     | 3,589,814                                 | 8,500,000           | 5,492,953                                   | 6,500,000           | 12,000,000                            | 6,500,000           | 12,000,000         | 6,500,000           | 12,000,000         |
| Utilization rate (=A/B)   | 42.2%                                     | -                   | 84.5%                                       | -                   | -                                     | -                   | -                  | -                   | -                  |

As stated in the Letter from the Board, the Revised Annual Caps were determined after taking into consideration of the following factors, among other things: (i) the current anticipation 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; (ii) the expected business growth of Lucion Group and its associates (including Shandong Credit Enhancement) and the increase in the scale of funds/assets that can be entrusted for investment in the future;

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and (iii) the development plan of Lucion Group and the potential more business cooperation with Lucion Group in the future; (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 funds/assets entrusted/to be entrusted by Lucion Group and/or its associates as a result of the Company's management and/or 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.

In assessing the fairness and reasonableness of the Revised Annual Caps, we have taken into consideration the following:

- (i) as discussed with the Management, the trustee's remuneration to be received from the trusts of which Lucion Group and/or its associates are trustors for the three years ending 31 December 2025 were determined with reference to the average of the historical actual trustee's remuneration rates for each of the years ended 31 December 2020, 2021 and 2022 as percentage of the maximum outstanding balance as at their respective year end of approximately 1.1%, 1.5%, 0.5%, being approximately 1.0%. We have reviewed the calculation and noted that (i) the Company was able to achieve the trustee's remuneration rates of at least 1.0% in two out of the past three years ended 31 December 2022; (ii) the proposed trustee's remuneration rates of 1.0% under the Revised Annual Caps is within the range of approximately 0.5% to 1.5% and equal to the average of the historical trustee's remuneration rates for the three years ended 31 December 2022; and (iii) similar to the weighted average actual annualized trustee's remuneration rates of the Group's settled financing trust schemes (1.11%) and higher than that of the settled investment trust schemes (0.28%) and settled administrative trust schemes (0.24%) for the year ended 31 December 2022 according to the 2022 annual report of the Company;
- (ii) despite the historical amount of actual trustee's remuneration received from the trusts of which Lucion Group and/or its associates are trustors for the six months ended 30 June 2023 was less than half of the proposed annual cap for the year ending 31 December 2023, such half-year amount does not necessarily reflect the full year amount. For instance, despite the historical actual maximum outstanding balance as at 30 June 2022 accounted for approximately 71.9% of the corresponding balance as at 31 December 2022, the historical trustee's remuneration received from the trusts of which Lucion Group and/or its associates are trustors for the first half year of 2022 represented only approximately 7.9% of the historical trustee's remuneration received from the trusts of which Lucion Group and/or its associates are trustors for the year ended 31 December 2022. As advised by the Management, the actual remuneration received depends on number of factors such as the nature of trusts, timing of actual payment and trust performance. Therefore it is not meaningful to compare the half-year's trustee remuneration received for the six months ended 30 June 2023 to the maximum outstanding balance as at 30 June 2023. Based on the above, we are of the view that using the historical average of approximately 1.0%

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for the three years ended 31 December 2022 of the maximum outstanding balance as at their respective year end to determine the trustee's remuneration to be received from the trusts of which Lucion Group and/or its associates are trustors under the Revised Annual Caps are fair and reasonable;

- (iii) we noted that the maximum outstanding balance of the assets and funds to be entrusted by Lucion Group and/or its associates were determined with reference to, among other things, the historical amount of the maximum outstanding balance of the assets and funds entrusted by Lucion Group and/or its associates as at 30 June 2023 of approximately RMB5.5 billion (which was very close to the existing annual cap of RMB6.5 billion), the expected increase in the scale of funds to be entrusted by Shandong Credit Enhancement and 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;
  
- (iv) we noted that the utilization rate of the maximum outstanding balance of the assets and funds entrusted by Lucion Group and/or its associates had been substantially increased from approximately 42.2% as at 31 December 2022 to approximately 84.5% as at 30 June 2023 which is at a high level. We have discussed with the Management and understood that the substantial increase was mainly attributable to the increase in demand for entrustment of funds to the Company from Shandong Credit Enhancement (which is an associate of Lucion Group) and the scale of funds entrusted by Shandong Credit Enhancement to the Company exceeded RMB3 billion as at 30 June 2023 as compared to approximately RMB0.8 billion as at 31 December 2022. As advised by the Management, Lucion Group is the largest shareholder of Shandong Credit Enhancement holding approximately 35.7% of the issued share capital of Shandong Credit Enhancement. As stated in the Letter from the Board, the registered capital of Shandong Credit Enhancement had been increased from RMB1.5 billion to RMB4.0 billion at the end of December 2022. As advised by the Management, they had not taken into account the demand for entrustment of funds to the Company from Shandong Credit Enhancement when the Existing Annual Caps of RMB6.5 billion were originally set as Shandong Credit Enhancement was established in December 2021 afterwards and it is expected that the scale of funds to be entrusted by Shandong Credit Enhancement to the Company will further increase to approximately RMB7.0 billion. The historical maximum outstanding balance as at 30 June 2023 reached approximately RMB5.5 billion (triggered by the increase in the entrusted funds from Shandong Credit Enhancement) which is very close to the original Existing Annual Cap of RMB6.5 billion and therefore there is an imminent need for the Revision of the Existing Annual Cap to RMB12 billion;

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- (v) according to the Notice on Promoting the Bond Market to Better Support the Reform and Development of Private Enterprises CSRC [2022] No. 54 《關於推動債券市場更好支持民營企業改革發展的通知證監發[2022]54號》 published on the PRC government website ([https://www.gov.cn/zhengce/zhengceku/2022-07/23/content\\_5702437.htm](https://www.gov.cn/zhengce/zhengceku/2022-07/23/content_5702437.htm)) on 22 July 2022, the PRC government aims to vigorously implement the support plan for bond financing of private enterprises, and encourage market institutions to provide credit enhancement services for bond financing of private enterprises. In addition, the Shandong provincial government also promotes enterprises to provide comprehensive credit enhancement services for corporate bond issuance according to the Notice on About the Measures on Financial Support to Stabilize the Economy 《關於金融支持紮實穩住經濟的若干措施》 published on the website of the Ministry of Culture and Tourism of the PRC on 21 June 2022 ([https://www.mct.gov.cn/preview/special/9656/9658/202206/t20220628\\_934288.htm](https://www.mct.gov.cn/preview/special/9656/9658/202206/t20220628_934288.htm)). As Shandong Credit Enhancement is the first credit improvement agency established in Shandong Province providing credit enhancement services for corporate bonds, we are of the view that the business of Shandong Credit Enhancement will continue to grow with the support of the above government measures. Therefore, it is expected that the scale of funds to be entrusted by Shandong Credit Enhancement to the Company will further increase;
- (vi) according to the financial information of Lucion Group, we noted that (a) its consolidated total assets increased from approximately RMB176,942 million as at the end of 2021 to approximately RMB192,539 million as at the end of 2022 and further to approximately RMB194,092 million as at 30 June 2023; and (b) its consolidated total operating income increased from approximately RMB9,401.8 million for the year ended 31 December 2021 to approximately RMB12,305.4 million for the year ended 31 December 2022. Its interim consolidated total operating income increased from approximately RMB4,872.8 million for the six months ended 30 June 2022 to approximately RMB5,679.1 million for the six months ended 30 June 2023. According to Lucion Group's future development strategic plan as mentioned in the Offering Circular, it will continue to strengthen its financial business by expanding trust channel flows and accelerating the scale of assets management as well as promoting the steady development of credit enhancement business. As mentioned in the Offering Circular, the business growth plan of Lucion Group and its associates include (a) continuing to vigorously develop asset management and corresponding investment and financing businesses in the field of infrastructure, increase infrastructure investment, enhance communication and coordination with key strategic partners, and strengthen management of the natural gas business; (b) building a market-oriented, professional, and international alternative asset management platform, with the core mission of "supporting national technological progress and promoting the economic development of Shandong"; (c) continuing to increase its investments in financial enterprises, expand the scope of comprehensive financial services, optimize the structure of trust business, actively expanding into service trusts, and further promoting the development of core and innovative businesses; (d) promoting the steady development of credit enhancement and credit enhancement businesses, focusing on strengthening credit enhancement services, stabilizing investment businesses, improving bond trading business, and optimizing innovative businesses;



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- (vii) according to information publicly available on the website of National Enterprise Credit Information Publicity System (國家企業信用信息公示系統) (<https://sd.gsxt.gov.cn>) and Qichacha (企查查), we noted that the registered capital of Shandong Credit Enhancement had been further increased from RMB4.0 billion at the end of December 2022 to approximately RMB4.2 billion in August 2023. According to the article dated 18 August 2023 published on Lucion Group’s website, Shandong Credit Enhancement has obtained an AAA credit rating from the sixth rating agencies. Additionally, Shandong Credit Enhancement has successfully secured its first RMB100 million bank loan. By supporting corporate bond issuance and sharing the risks of corporate financing, Shandong Credit Enhancement aims to increase the proportion of direct financing for enterprises, reduce their financing costs, leverage more financial resources to serve Shandong and enhance the financial services’ capacity to support the development of the real economy. One example is, according to the article dated 26 August 2023 published on Lucion Group’s website, the 2-year corporate bond of RMB400 million issued by Qingdao Shaohai Development Group Co., Ltd. (青島少海發展集團有限公司) was successfully launched at a coupon rate of 3.96% on 24 August 2023 with credit enhancement provided by Shandong Credit Enhancement, setting the record of the lowest coupon rate among bonds of the same kind in Shandong Province since 2023. With the continuous business growth of Lucion Group and the recent further increase in the registered capital of Shandong Credit Enhancement, it is expected that the scale of funds to be entrusted by Lucion Group and/or its associates (including Shandong Credit Enhancement) to the Company will further increase which is in line with Lucion Group’s future development strategic plan;
- (viii) the Company was the first and only domestic trust company listed on the Hong Kong Stock Exchange in December 2017. It has been rated “AAA” in the performance evaluation of financial enterprises in Shandong Province for consecutive years and has won the “Class A” (the highest rating attainable) in the national industry wide rating for many times. It is a well-established and highly recognised trust company with strong capital base and has also won numerous awards in the industry. As Lucion Group is both the controlling shareholders of the Company and Shandong Credit Enhancement, the Company is therefore an ideal trust channel for Shandong Credit Enhancement for the entrustment of its funds with the increase in its registered capital given its listing status, reputation in the PRC trust industry and support from the local government; and
- (ix) in fact the Company has revised upwards the maximum amount of trust assets in relation to an existing trust contract (being one of the two Lucion Group Sample Contracts) entered into by the Company with Shandong Credit Enhancement (the “**Revised Trust Contract**”). We obtained a copy of the Revised Trust Contract (and its supplemental agreements) and noted that the maximum amount of trust assets had been increased from RMB2 billion as originally stated in the Revised Trust Contract to RMB3.5 billion in March 2023 and further to RMB4.5 billion in August 2023. As discussed with the Management, such revision was mainly due to the continuous increase in the scale of funds to be entrusted by Shandong Credit Enhancement to the Company arising from the increase in the registered capital of Shandong Credit

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Enhancement. As discussed with the Management, there are potential business opportunities under the Lucion Group Trust Framework Agreement under negotiation. We reviewed a copy of the internal e-mail correspondence between the Company and Shandong Credit Enhancement dated 31 August 2023 and noted that Shandong Credit Enhancement has indicated its plan to increase the scale of funds entrusted by it to the Company to a maximum of approximately RMB7.0 billion. We also obtained a copy of a recently executed new trust contract with a maximum amount of RMB470 million entered into by the Company with associates of Lucion Group in August 2023. Therefore, we are of the view that the Company has indeed more business cooperation with Lucion Group and/or its associates (including Shandong Credit Enhancement) in 2023.

In light of the above, we are of the view that the Revised Annual Caps for the three years ending 31 December 2025 are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

Shareholders should note that the Revised Annual Caps are relating to future events and were estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2025, and they do not represent forecasts of operating income to be generated from the transactions contemplated under the Lucion Group Trust Framework Agreement.

### RECOMMENDATION

Having considered the principal reasons and factors discussed above, we are of the view 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 on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Shareholders, as well as recommend the Independent Board Committee to advise the Independent Shareholders, to vote in favor of the ordinary resolution to be proposed at the EGM to approve the Revision of the Existing Annual Caps.

Yours faithfully,  
For and on behalf of  
**Pulsar Capital Limited**

**Bernard Tam**  
*Managing Director and*  
*Head of Investment Banking*

*Mr. Bernard Tam is a Responsible Officer of Pulsar Capital Limited licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO. He has over 20 years of experience in corporate finance industry.*

**RESPONSIBILITY STATEMENT**

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

**INTERESTS OF DIRECTORS**

As at the Latest Practicable Date, none of the Directors, Supervisors, senior management or their respective associates had any interests or short positions in any Shares, underlying Shares or debentures of the Company or any of its associated corporations (as defined in Part XV of the Securities and Futures Ordinance) which were required (i) to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (including the interests or short positions which they were taken or deemed to have under such provisions of the Securities and Futures Ordinance); (ii) to be entered into the register kept by the Company pursuant to section 352 of the Securities and Futures Ordinance; or (iii) to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules.

**INTERESTS OF SUBSTANTIAL SHAREHOLDERS**

As at the Latest Practicable Date, the Company has been notified by the following persons in relation to their interests or short positions in the Shares and underlying Shares of the Company which are discloseable pursuant to Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance, and such interests or short positions recorded in the register required to be kept under section 336 of the Securities and Futures Ordinance are as follows:

| Name of Shareholder   | Class of shares | Nature of interests <sup>(1)</sup>   | Number of underlying shares held <sup>(2)</sup> | Approximate percentage of the class of underlying shares <sup>(2)</sup> | Approximate percentage of total share capital <sup>(2)</sup> |
|---|-----------------|--------------------------------------|---|---|--|
| Shandong High-Tech Venture Capital Co., Ltd. <sup>(3)</sup> | Domestic Shares | Beneficial owner                     | 125,000,000                                     | 6.44%   | 4.83%  |
| Lucion Venture Capital Group Co., Ltd. <sup>(3)</sup>       | Domestic Shares | Interest in a controlled corporation | 125,000,000                                     | 6.44%   | 4.83%  |
| Lucion Group <sup>(3)</sup>                                 | Domestic Shares | Beneficial owner                     | 2,242,202,580                                   | 64.17%  | 48.13%   |
|   | Domestic Shares | Interest in a controlled corporation | 225,000,000                                     | 6.44%   | 4.83%  |

| Name of Shareholder  | Class of shares | Nature of interests <sup>(1)</sup>   | Number of underlying shares held <sup>(2)</sup> | Approximate percentage of the class of underlying shares <sup>(2)</sup> | Approximate percentage of total share capital <sup>(2)</sup> |
|--|-----------------|--------------------------------------|---|---|--|
| Shandong Provincial Finance Bureau <sup>(4)</sup>  | Domestic Shares | Interest in a controlled corporation | 2,467,202,580                                   | 70.61%  | 52.96%   |
| CNPC Assets Management Co., Ltd. <sup>(5)</sup>  | Domestic Shares | Beneficial owner                     | 485,293,750                                     | 25.00%  | 18.75%   |
| CNPC Capital Company Limited <sup>(5)</sup>  | Domestic Shares | Interest in a controlled corporation | 485,293,750                                     | 25.00%  | 18.75%   |
| CNPC Capital Joint Stock Company with Limited Liability <sup>(5)</sup>   | Domestic Shares | Interest in a controlled corporation | 485,293,750                                     | 25.00%  | 18.75%   |
| China National Petroleum Corporation <sup>(5)</sup>  | Domestic Shares | Interest in a controlled corporation | 485,293,750                                     | 25.00%  | 18.75%   |
| State-owned Assets Supervision and Administration Commission of Jinan Municipal People's Government <sup>(6)</sup> | H Shares        | Interest in a controlled corporation | 252,765,000                                     | 21.70%  | 5.43%  |
| Jinan Finance Holding Group Co., Ltd. <sup>(6)</sup>   | H Shares        | Beneficial owner                     | 252,765,000                                     | 21.70%  | 5.43%  |
| Qingdao Global Wealth Center Development and Construction Co., Ltd. <sup>(7)</sup>                                 | H Shares        | Beneficial owner                     | 232,920,000                                     | 19.99%  | 4.99%  |
| Qingdao Laoshan District Finance Bureau <sup>(7)</sup>   | H Shares        | Interest in a controlled corporation | 232,920,000                                     | 19.99%  | 4.99%  |
| China Create Capital Limited   | H Shares        | Beneficial owner                     | 64,737,000                                      | 10.00%  | 2.50%  |
| Chang Xin Asset Management Co., Ltd. <sup>(8)</sup>  | H Shares        | Trustee                              | 113,263,200                                     | 9.72%   | 2.43%  |
| Shandong Development & Investment Holding Group Co., Ltd.  | H Shares        | Beneficial owner                     | 51,272,000                                      | 9.72%   | 1.98%  |
| HWABAO TRUST CO., LTD  | H Shares        | Trustee                              | 35,974,000                                      | 5.59%   | 1.39%  |

*Notes:*

- (1) All of the interests refer to long positions.
- (2) The Company completed the issue of new shares by way of the transfer of capital reserve to share capital in January 2019. Since the change in number of shares arising from the capitalisation issue did not constitute reporting obligation pursuant to the Securities and Futures Ordinance, the number of shares held by certain Shareholders as disclosed in the forms of disclosure of interests does not reflect the impact of the capitalisation issue.

- (3) Shandong High-Tech Venture Capital Co., Ltd. (“**Shandong High-Tech**”) is a direct wholly-owned subsidiary of Lucion Venture Capital Group Co., Ltd. (“**Lucion Venture Capital**”). Lucion Venture Capital is a non-wholly owned subsidiary owned as to 69.57% by Lucion Group and therefore is deemed to be interested in all of the shares of the Company held by Shandong High-Tech, and Lucion Group is deemed to be interested in all of the shares of the Company held indirectly by Lucion Venture Capital.
- (4) Lucion Group is owned as to 90.58% by Shandong Provincial Finance Bureau and as to 9.42% by Shandong Caixin Assets Operation Co., Ltd., which is wholly-owned by the Shandong Provincial Finance Bureau. Shandong Provincial Finance Bureau is therefore deemed to be interested in all of the shares of the Company directly and indirectly held by Lucion Group.
- (5) CNPC Assets Management Co., Ltd. (“**CNPC Assets Management**”) is a direct wholly-owned subsidiary of CNPC Capital Company Limited (“**CNPC Capital**”) and CNPC Capital is wholly-owned by CNPC Capital Joint Stock Company with Limited Liability (“**CNPC Capital Joint Stock**”). CNPC Capital Joint Stock, which is an A share listed company, is held as to 77.35% by China National Petroleum Corporation. Each of CNPC Capital, CNPC Capital Joint Stock and China National Petroleum Corporation are therefore deemed to be interested in all of the shares of the Company held by CNPC Assets Management.
- (6) To the knowledge of the Company, Jinan Finance Holding Group Co., Ltd. is currently known as Jinan Finance Investment Holding Group Co., Ltd., and it has been held by Jinan Finance Bureau since 14 February 2022. The number of shares reflected their interests as at the Latest Practicable Date. Since the changes in their interests did not constitute reporting obligation pursuant to the Securities and Futures Ordinance, the updated numbers of shares were not reflected in their forms for disclosure of interest.
- (7) Qingdao Global Wealth Center Development and Construction Co., Ltd. is wholly owned by Qingdao Laoshan District Finance Bureau and Qingdao Laoshan District Finance Bureau is therefore deemed to be interested in all of the shares of the Company held by Qingdao Global Wealth Center Development and Construction Co., Ltd.
- (8) Chang Xin Asset Management Co., Ltd. holds the equity of the Company’s shares as a trustee of the trust for the Chang Xin Fund-Dongfang No.1 Single Asset Management Plan.

## DIRECTORS’ INTEREST IN COMPETING BUSINESS

A non-executive Director of the Company, Mr. Wang Zengye is also the chairperson of the Kunlun Trust Co., Ltd. (“**Kunlun Trust**”) whose principal business is to manage assets as trustees for its clients in the PRC, being a competing business to the Company. Kunlun Trust is a non-wholly owned subsidiary of CNPC Assets Management, a substantial shareholder of the Company. Save for (i) the shareholding of CNPC Assets Management in the Company, (ii) Mr. Wang Zengye’s directorship in the Company and Kunlun Trust, and (iii) the positions held by Mr. Chen Yong, a Supervisor (who holds several positions in CNPC Assets Management and Kunlun Trust), the Company does not have any other relationship with CNPC Assets Management or Kunlun Trust. As such, the Directors are of the view that the Company is capable of carrying out its businesses independently from CNPC Assets Management and Kunlun Trust. In addition, the Company has adopted certain corporate governance measures to manage the conflict of interest arising from the competing interests of Mr. Wang Zengye. Save as disclosed above, as at the Latest Practicable Date, each of the controlling shareholders and the Directors confirms that he, she or it does not have any interest in a business, apart from the business of the Company, which competes or is likely to compete, directly or indirectly, with the Group’s businesses, which would require disclosure under Rule 8.10 of the Listing Rules.

**MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors and Supervisors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2022, being the date to which the latest published audited consolidated financial statements of the Company were made up.

**SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS**

According to the articles of association of the Company, the terms of service of both the Directors and the Supervisors are for three years, and all Directors and Supervisors are subject to re-appointment or re-election upon the expiry of their term. Each of the executive Directors, non-executive Directors, independent non-executive Directors and Supervisors has entered into a service contract with the Company for a term of three years. Save as disclosed above, none of the Directors or the Supervisors have entered into, or have proposed to enter into, a service contract with the Company (other than contracts determinable by the Company within one year without the payment of compensation (other than statutory compensation)).

**INTERESTS IN CONTRACTS/ARRANGEMENTS OF DIRECTORS AND SUPERVISORS**

Since 31 December 2022 (being the date to which the latest published audited consolidated financial statements of the Company were made up) and up to the Latest Practicable Date, none of the Directors or the Supervisors had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

None of the Directors and Supervisors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which was significant in relation to the business of the Group taken as a whole.

**EXPERT AND CONSENT**

The qualification of the expert who has given opinions or advice contained in this circular is as follows:

| <b>Name</b>            | <b>Qualification</b>  |
|------------------------|---|
| 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 |

Pulsar Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter of advice and/or references to its name in the form and context in which they respectively appear.

Pulsar Capital was not beneficially interested in the share capital of any member of the Group and did not have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group as at the Latest Practicable Date.

Since 31 December 2022 (being the date to which the latest published audited consolidated financial statements of the Company were made up) and up to the Latest Practicable Date, Pulsar Capital did not have any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

**DOCUMENTS ON DISPLAY**

A copy of the Lucion Group Trust Framework Agreement will be published on the websites of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.sitic.com.cn>) for 14 days from the date of this circular.

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## NOTICE OF EGM

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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)**

### **NOTICE OF 2023 FIRST EXTRAORDINARY GENERAL MEETING**

**NOTICE IS HEREBY GIVEN THAT** the first extraordinary general meeting of Shandong International Trust Co., Ltd. (the “**Company**”) for the year 2023 (the “**EGM**”) will be held at Tower A, No. 2788 Aoti West Road, Lixia District, Jinan, Shandong Province, the PRC on Tuesday, 31 October 2023 at 9:30 a.m. to consider and, if thought fit, to pass the following resolutions. Unless the content otherwise requires, capitalised terms used herein shall have the same meanings as those defined in the circular of the Company date 11 October 2023.

#### **ORDINARY RESOLUTIONS**

- (1) To consider and approve the Revision of the Existing Annual Caps; and
- (2) To consider and approve the appointment of Ms. Liu Wanwen as an independent non-executive Director.

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

Jinan, the People's Republic of China  
11 October 2023



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## NOTICE OF EGM

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*Notes:*

1. The holders of H Shares and Domestic Shares whose names appear on the registers of the members of the Company on Tuesday, 31 October 2023 are entitled to attend and vote at the EGM. The registers of members of the Company will be closed from Thursday, 26 October 2023 to Tuesday, 31 October 2023, both days inclusive, during which no transfer of Shares can be registered. All transfer documents together with the relevant share certificates must be lodged for registration with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong (for holders of H Shares) or the Office of the Board of Directors (Supervisors) of the Company (for holders of Domestic Shares) not later than 4:30 p.m. on Wednesday, 25 October 2023.
2. Any Shareholder entitled to attend and vote at the EGM is entitled to appoint one or more proxies to attend and vote at the meeting on his/her behalf. A proxy need not be a Shareholder.
3. A proxy shall be appointed by an instrument in writing (including the proxy form). Such instrument shall be signed by the appointor or his/her attorney duly authorised in writing. If the appointor is a legal person, then the instrument shall be signed under a legal person's seal or signed by its director or an attorney duly authorised in writing. The instrument appointing the proxy shall be deposited at the Company's H share registrar for holders of H Shares or at the Office of the Board of Directors (Supervisors) of the Company for holders of Domestic Shares not less than 24 hours before the time appointed for holding the EGM or any adjourned meeting (i.e. by 9:30 a.m. on Monday, 30 October 2023). If the instrument appointing the proxy is signed by a person authorised by the appointor, the power of attorney or other document of authority under which the instrument is signed shall be notarised. The notarised power of attorney or other document of authority shall be deposited together and at the same time with the instrument appointing the proxy at the Company's H share registrar or the Office of the Board of Directors (Supervisors) of the Company (as may be applicable).
4. Shareholders or their proxies are required to produce their identification documents when attending the EGM.
5. Miscellaneous
  - i. It is expected that the EGM will last for half a day. All attending Shareholders shall arrange for their transportation and accommodation and shall bear all their own expenses in connection with their attendance.
  - ii. Details on the abovementioned resolutions to be considered and approved at the EGM are set out in the circular of the Company in respect of the EGM dated 11 October 2023.
  - iii. The address of Computershare Hong Kong Investor Services Limited is:

17M Floor, Hopewell Centre  
183 Queen's Road East  
Wan Chai, Hong Kong  
Tel: (852) 2862 8555  
Fax: (852) 2865 0990
  - iv. The address of the Office of the Board of Directors (Supervisors) of the Company is:

35/F, Tower A, No. 2788 Aoti West Road  
Lixia District, Jinan  
Shandong Province, the PRC  
Tel: +86 (531) 8656 6593  
Fax: +86 (531) 8656 6593

*As at the date of this notice, 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.*