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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)

DISCLOSEABLE TRANSACTION

The Board announces that, on 13 October 2023 (after trading hours), the Company entered into the Debt Transfer Agreement with the Purchaser, pursuant to which the Company has conditionally agreed to sell and the Purchaser has conditionally agreed to acquire the Yuerong No.26 Debt at a consideration of RMB99,560,222.22.

The Debt Transfer constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. Since one of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Debt Transfer Agreement and the transaction contemplated thereunder exceeds 5% but all are less than 25%, the Debt Transfer constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules, and is subject to the reporting and announcement requirements but is exempt from the circular and shareholders' approval requirements under the Listing Rules.

THE DEBT TRANSFER

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DEBT TRANSFER AGREEMENT

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

Date

13 October 2023

Parties

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

THE DEBT TRANSFER

Pursuant to the Debt Transfer Agreement, the Company has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Yuerong No.26 Debt, being the asset of creditor's rights and its ancillary interests owned by the Company in full as at the Benchmark Date (i.e. 30 September 2023) pursuant to the debt confirmation contracts and judgement instruments in relation to the Yuerong No.26 Trust Scheme.

Consideration and Payment Terms

The consideration of Debt Transfer payable by the Purchaser is RMB99,560,222.22. Pursuant to the Debt Transfer Agreement, the consideration of Debt Transfer shall be payable by the Purchaser to the Company in cash according to the following arrangements:

- (i) **initial debt transfer consideration:** the Purchaser shall pay the initial debt transfer consideration in the amount of RMB20,000,000 to an account designated by the Company before 31 October 2023; and
- (ii) **remaining debt transfer consideration:** the Purchaser shall conduct a judicial auction for the asset of creditor's rights and its ancillary interests (being the land use rights of a land parcel located in Weifang City, Shandong Province, the PRC, the "**Pledged Assets**") under the Yuerong No.26 Debt, and pay the remaining debt transfer consideration in the amount of RMB79,560,222.22 to the Company within 10 business days from the date of completion of the judicial auction (including repayment in kind). However, regardless of whether the judicial auction is successful, the payment of the remaining debt transfer consideration shall be made no later than 15 December 2023. The date on which the Purchaser pays the remaining debt transfer consideration shall be the date of the Debt Transfer (the "**Transfer Date**").

If the Purchaser fails to pay any phase of the debt transfer consideration to the Company in accordance with the above arrangements, the Purchaser shall be deemed to have given up the acquisition of the Yuerong No.26 Debt. The Company has the right to unilaterally terminate the Debt Transfer Agreement and is not required to return any phase of the debt transfer consideration paid by the Purchaser.

Completion and Transitional Arrangement

The Yuerong No.26 Debt shall be transferred to the Purchaser since the Transfer Date, and the Purchaser shall then replace the Company to obtain the interests of the Yuerong No.26 Debt. All risks related to the Yuerong No.26 Debt shall be transferred to the Purchaser since the Transfer Date and shall be borne by the Purchaser.

During the transitional period (i.e. from the Benchmark Date to the Transfer Date), the Purchaser entrusted the Company to manage and maintain the Yuerong No.26 Debt on its behalf. After deducting the costs and expenses incurred by the Company in relation to the management and maintenance, all proceeds from the Yuerong No.26 Debt shall belong to the Purchaser (if any). Such transitional arrangement will not affect the fact that all risks relating to the Yuerong No.26 Debt shall be borne by the Purchaser since the Transfer Date.

INFORMATION OF THE PARTIES AND THE TARGET

The Company

The Company is a joint stock company established in the PRC with limited liability, the H Shares of which are listed on the Main Board of the Hong Kong Stock Exchange (stock code: 1697). The Company is principally engaged in the provision of comprehensive financial service and wealth management service.

The Purchaser

The Purchaser, Weifang Gaoteng Real Estate Development Co., Ltd. (濰坊高騰房地產開發有限公司), is a company with limited liability established on 25 September 2023 in the PRC, which is principally engaged in real estate development and operation and property management. The Purchaser is a wholly-owned subsidiary of Weifang Hengxin Construction Group Co., Ltd. (濰坊恒信建設集團有限公司) (“**Weifang Hengxin**”), a company with limited liability established on 21 June 2008 in the PRC, which is principally engaged in real estate development, sales of commodity housing and property management. Weifang Hengxin is held as to approximately 80.34% by Zhang Yuqiang and his family members. Except for Zhang Yuqiang and his family members, no other shareholder holds more than 10% interest in Weifang Hengxin. To the best knowledge, information and belief of the Directors and having made all reasonable enquiries, as at the date of this announcement, the Purchaser and its ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined under the Listing Rules).

Yuerong No.26 Debt

Yuerong No.26 Debt is the asset of creditor’s rights and its ancillary interests owned by the Company in full pursuant to the debt confirmation contracts and judgement instruments in relation to the Yuerong No.26 Trust Scheme, and the Company is the trustee of the Yuerong No.26 Trust Scheme and the lender of the trust financing. Such trust scheme was established in January 2021 with a size of RMB116.00 million and a term of 12 months. As at 30 June 2023, the Company made a provision for impairment loss of approximately RMB4.59 million in relation to the trust financing under the Yuerong No.26 Trust Scheme. The book value of the Yuerong No.26 Debt as at 30 June 2023 was approximately RMB78.41 million.

CONSIDERATION OF THE DEBT TRANSFER

The consideration for the Debt Transfer (i.e. RMB99,560,222.22) shall be the sum of the principal amount of the outstanding Yuerong No.26 Debt and the corresponding interest, of which the principal amount is RMB81.20 million and the corresponding interest shall be calculated in accordance with the following formula:

Corresponding interest = principal amount outstanding × 11% × number of days during the period/360

Yuerong No.26 Debt started to have interest arrears from 20 September 2021, and “number of days during the period” refers to the actual number of days from 20 September 2021 (inclusive) to 30 September 2023 (exclusive). The agreed interest rate in the original financing contract under the Yuerong No.26 Trust Scheme is 11%.

USE OF PROCEEDS

The gross proceeds from the Debt Transfer are expected to be RMB99.56 million and the net proceeds (after deduction of related transaction expenses) are expected to be RMB93.23 million. The Company intends to use the net proceeds from the Debt Transfer to replenish the Company’s working capital and optimise the financial and regulatory indicators applicable to the Company, and to support business transformation and development.

REASONS FOR AND BENEFITS OF THE DEBT TRANSFER

As at 30 June 2023, the Company has made the provision for impairment losses of approximately RMB4.59 million in connection with the trust financing under the Yuerong No.26 Trust Scheme. It is expected that the Company will need to make further provision for impairment losses if the repayment obligor is not able to repay the defaulted loan in full.

The Company has been exploring possible solutions to recover the trust financing funds under the Yuerong No.26 Trust Scheme. If the Yuerong No.26 Debt is sold to third parties through judicial auction, such actions involve complex legal procedures and potential time costs and expenses, and the enforcement results may not be favourable to the Company due to the instability in the policy and macroeconomic environment faced by the real estate industry. If the judicial auction is not successful, the Company may incur additional expenses if it enters into procedures such as debt repayment in kind. Furthermore, it is not practicable for the Company to take possession of the Pledged Assets as it is never the intention for the Company to engage in real estate development business in the PRC which requires specific expertise. Therefore, the Company believes that enforcing the Pledged Assets through judicial auctions will involve complex legal procedures, significant time costs and expenses, and highly uncertain enforcement results, which indicate that it is not a desirable way to recover the Yuerong No.26 Debt.

Taking into account the factors mentioned above, the Board believes that (i) the Debt Transfer can allow the Company to recover the trust financing funds in a short period, and obtain liquid funds to improve the efficiency in use of capital, and therefore it is in the interest of the Company and the Shareholders as a whole to dispose of the Yuerong No.26 Debt as soon as possible; and (ii) the Debt Transfer will help improve the structure of assets and liabilities of the Company, optimise the Company's financial and industry regulatory indicators and improve its asset allocation structure, and therefore strengthen its sustainable operation abilities.

The Directors considered that the Debt Transfer is in the Company's ordinary and usual course of business, and the Debt Transfer and the terms of the Transfer Agreement are fair and reasonable, on normal commercial terms and in the interest of the Company and its Shareholders as a whole.

FINANCIAL EFFECT ARISING FROM THE DEBT TRANSFER

The Company accounted the Yuerong No.26 Debt under "debt investment" in its financial statements. Upon the completion of the Debt Transfer, if materialised, the sum of debt investment is expected to be reduced by RMB78.41 million (before income tax), and the Company is expected to recognise a corresponding gain of RMB14.82 million, which is estimated based on (a) the consideration of Debt Transfer of RMB99.56 million less (b) the sum of the carrying amounts of the Yuerong No.26 Debt as at 30 June 2023 of approximately RMB78.41 million and the relevant transaction expenditures and taxation of approximately RMB6.33 million.

LISTING RULES IMPLICATIONS

The Debt Transfer constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. Since one of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Debt Transfer Agreement and the transaction contemplated thereunder exceeds 5% but all are less than 25%, the Debt Transfer constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules, and is subject to the reporting and announcement requirements but is exempt from the circular and shareholders' approval requirements under the Listing Rules.

DEFINITIONS

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

“Benchmark Date”	30 September 2023
“Board”	the board of Directors of the Company
“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)
“Debt Transfer”	the transfer of the Yuerong No.26 Debt by the Company to the Purchaser pursuant to the Debt Transfer Agreement
“Debt Transfer Agreement”	the agreement dated 13 October 2023 entered into between the Company and Purchaser in relation to the disposal of the Yuerong No.26 Debt
“Director(s)”	the director(s) of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“H Shares(s)”	ordinary share(s) of the Company with a nominal value of RMB1.00 each, traded in Hong Kong dollars and listed on the Hong Kong Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China but excluding, for the purpose of this announcement only, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Purchaser”	Weifang Gaoteng Real Estate Development Co., Ltd. (濰坊高騰房地產開發有限公司), a company with limited liability established on 25 September 2023 in the PRC

“RMB”	Renminbi, the lawful currency of the PRC
“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)
“Yuerong No.26 Debt”	the asset of creditor’s rights and its ancillary interests owned in full by the Company pursuant to the debt confirmation contracts and judgement instruments in relation to Yuerong No. 26 Trust Scheme
“Yuerong No.26 Trust Scheme”	SITC Yuerong No.26 Collective Fund Trust Scheme (山東信託•粵榮26號集合資金信託計劃), a trust scheme established in January 2021 where the Company acted as the trustee and the lender of the trust financing
“%”	per cent

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

Jinan, the People’s Republic of China
13 October 2023

As at the date of this announcement, the Board comprises Mr. Wan Zhong and Mr. Fang Hao as executive Directors; Mr. Wang Zengye, Mr. Zhao Zikun and Ms. Wang Bailing as non-executive Directors; Ms. Zhang Haiyan, Mr. Zheng Wei and Ms. Meng Rujing as independent non-executive Directors.